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MORTGAGE BANKING

NOVEMBER 1982

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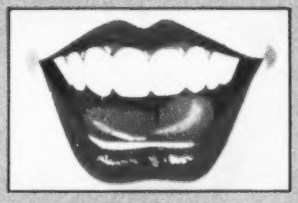
MORTGAGE BANKING



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Associate Editor, Stephanie A. Smart
Advertising, J. Michael McFall
Circulation, Betty Kingsbury
Design, Harrison Communications
Art Director, Karen Dodds

cover illustration by:
Karen Cogar

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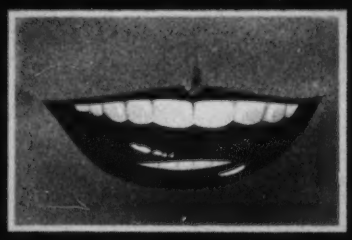
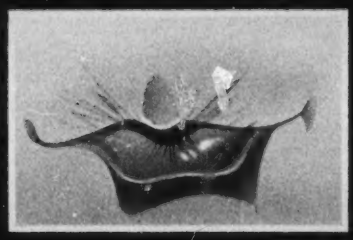
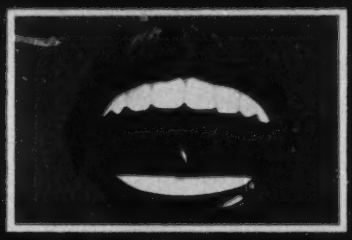
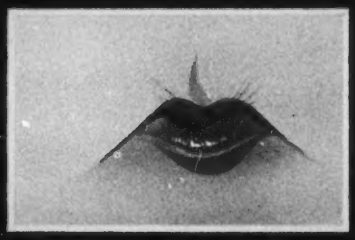
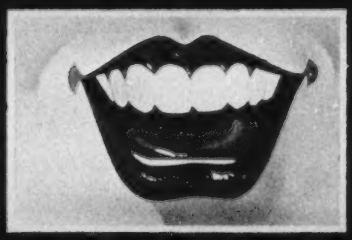
CONSUMER OPINION











ON MORTGAGES AND HOUSING

James E. Murray

The experience gained by mortgage bankers in using the secondary market and their ability to adjust to major changes in the home finance industry make them particularly well-suited to meet consumer housing needs in the 1980s.

And, as shown in the results of a major public opinion survey conducted for Fannie Mae by Louis Harris and Associates, there will still be plenty of consumer demand to meet.

Based on in-person interviews with more than 1,000 households—owners and renters—during March and April of 1982, *Buying a Home in the 1980s: A Poll of American Attitudes*, provides a wealth of information on consumer receptivity to specific mortgage instruments, as well as more general attitudes toward housing, home ownership and the economy.

Fannie Mae believes that the survey results are of major importance, and utility, to mortgage bankers and other members of the housing and home finance industries.

The news that home ownership is still high on the American public's agenda—both as an investment and as a means of "establishing roots"—is a welcome sign to the troubled housing market. However, other survey findings indicate that turning the goal of home ownership into a reality will require a major educational effort: consumers are largely uninformed about the new mortgage instruments now available.

Once these new instruments are explained however, the survey shows many consumers will use them, particularly if they make home ownership more affordable.

Major findings on public attitudes toward various mortgage instruments included these:

• While most Americans (72 percent) have heard of the traditional fixed-rate mortgage, a surprisingly large number (42 percent) are also aware of the newer types of mortgages that have been introduced over the last two years. However, most are unclear on how they work. While nearly three-quarters (72 percent) express initial preferences for the fixed-rate mortgage, almost half will opt for the other types of mortgages once the new plans have been explained. If there is an appreciable initial savings involved, still more will prefer alternative mortgages. With, for example, a three percent differential, more consumers opt for an adjustable rate mortgage (ARM) than for a traditional loan. The recent decline in shorter term rates—reflected in ARM indexes—now allows a differential approaching that amount.

• Once various specific mortgage arrangements are defined, and the fixed-rate mortgage is excluded as a possible choice, the public finds graduated payment mortgages (GPMs) (29 percent); growing equity mortgages (GEMs) (22 percent) and adjustable-rate mortgages (ARMs) (16 percent) to be the most attractive alternative mortgage arrangements. The adjustable-rate mortgage is as popular as the other two types when it is defined to include ceilings on interest rates and payments combined with long periods between rate adjustments. In this form, 72 percent of consumers view ARMs as attractive. Moreover, the public views ARMs with caps as the most fair and equitable arrangement for all parties to the

continued

James E. Murray is president of the Federal National Mortgage Association. He joined the corporation as vice president and general counsel in 1970, became senior vice president and general counsel in 1972, and president in May, 1981. An attorney, Murray formerly worked at the Washington, D.C. law firm of Hogan and Hartson, where he became a partner in 1967. He has served as chairman of the Housing Law Committee of the Federal Bar Association and has been an Advisor to the Commissioners on Uniform State Laws since 1973 on a number of proposed uniform real estate laws.

ILLUSTRATION BY SHELDON GREENBERG

sale of a home—buyer, seller, and lender.

• An important feature of this apparent public acceptance of new financing plans is that it came at a time when most of the public expected further increases in interest rates (the interviewing for the study was done last spring). If the public were to expect rates to stabilize or decline, acceptance of these new mortgage plans would most certainly be even greater.

• The principal market for new mortgage financing is among the young and among households that do not already own homes. Younger families and current renters—potential first-time home buyers—are the most willing to use the new mortgage instruments to achieve home ownership.

• A large majority (78 percent) of the public prefers to have a variety of mortgage options available, instead of just one type of mortgage, as has traditionally been the case. This strong preference for a variety of mortgage plans exists despite an admission by many that they don't fully understand the alternative loan types.

On more general attitudes toward housing, the survey finds:

• Owning a home remains a major ambition of most American households. Overall, 71 percent of the public feels that their next residence will be one that they own. Current homeowners report that the principal incentives behind homeownership are the value of the home as an investment (40 percent) and the desire to establish roots in a community (35 percent). Those who do not now own homes feel that the principal disincentives to home purchase are housing prices (50 percent) and high interest rates (36 percent). The single-family detached house is by far the type of home preferred (79 percent) among the entire public.

• The proportion of Americans who now anticipate moving, as reported in this survey, represents an

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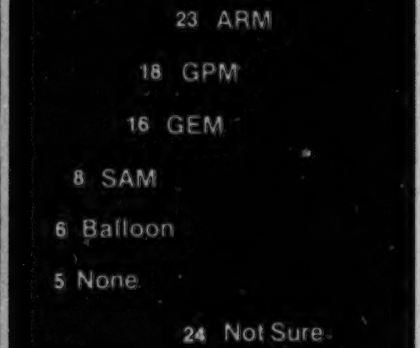
FANNIE MAE FEDERAL NATIONAL MORTGAGE ASSOCIATION

Fairest Mortgage for Buyer, Seller, and Lender?

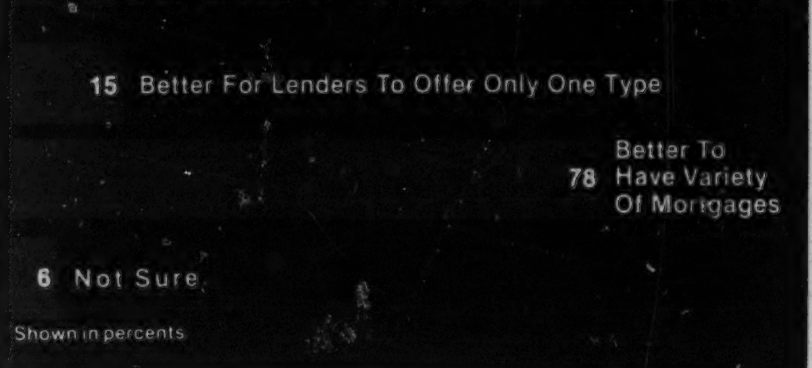


Shown in percents

Affordability
"It takes a two-income household to afford a mortgage."

Shown in percents

Preference for a Variety of Mortgages



Shown in percents

apparent decline from the last half of the 1970s. This drop is particularly noticeable among older families, most of whom already own homes. Among those who expect to move, most families (71 percent) expect to own their next residence.

• Most homeowners do not expect to have great difficulty in selling their existing homes, even under current market conditions. The one exception is the Midwest, where an appreciable minority of the public think that they would have real difficulty in selling their homes (40 percent), or that their houses might have fallen in price in the last year (33 percent).

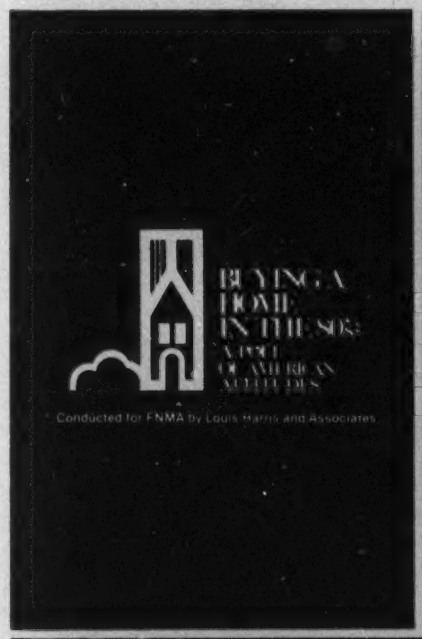
• By far the most important sources of information to the public on housing market conditions are newspapers (63 percent), family and friends (45 percent), and the electronic media (41 percent).

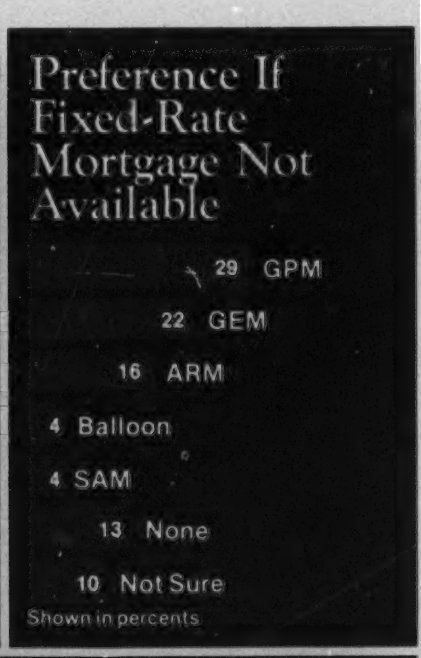
What are the implications of this study for mortgage bankers? While the survey results certainly do not indicate a return to the housing markets of previous decades, they do offer encouragement that the market will improve as the economy recovers. In fact, the acceptance of new mortgages should expedite a housing recovery.

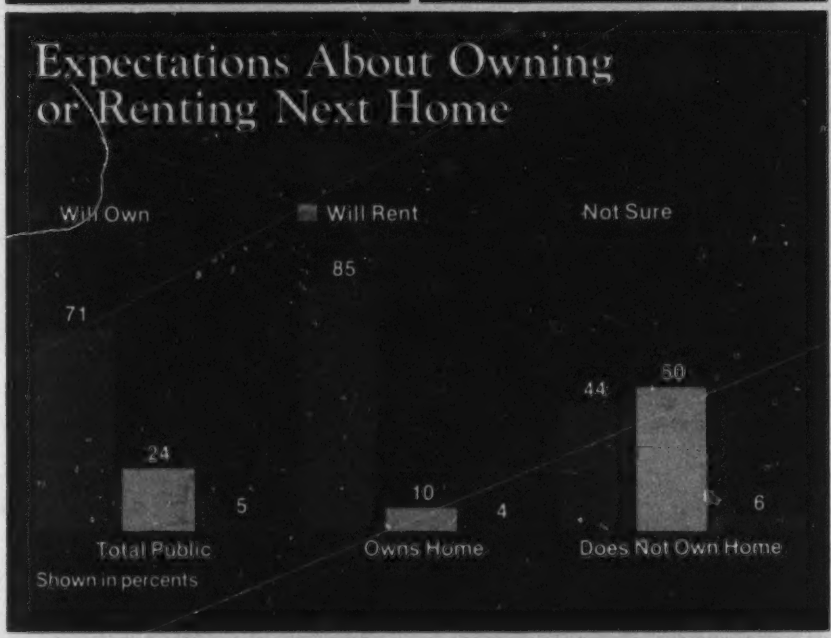
More specifically, the survey provides us with the first definitive and specific indications of which types of loans are considered workable by borrowers and of consumers' preference for a variety of options.

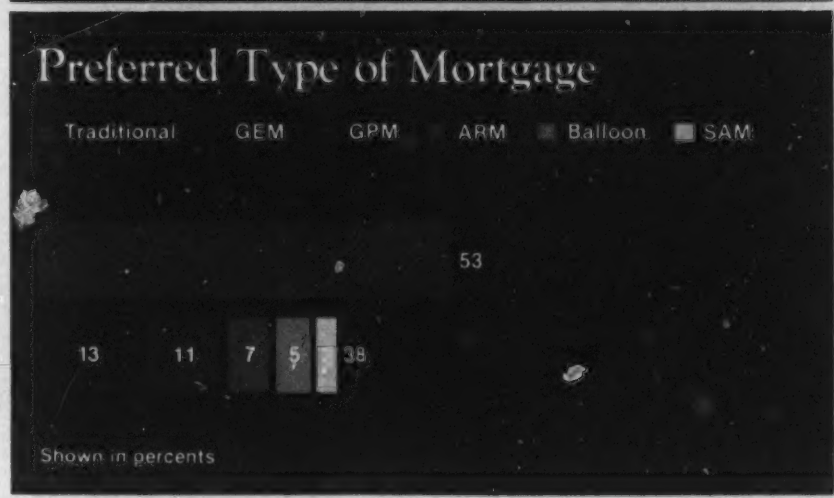
Mortgage bankers are singularly well-equipped to use the findings of the Harris survey. More than any other kind of lender, mortgage companies know how to use secondary market outlets to fund various kinds of housing loans.

For Fannie Mae's part, we intend to use the survey results, as well as input from lenders, to refine our current mortgage products, and develop new ones, to make the secondary market even *more* responsive to the needs of all parties to a mortgage—borrower, lender, and investor. □









MORTGAGE MARKET TRENDS

Prepared by MBA's Economics Department

October 15, 1982

In a major policy change on October 5th, the Federal Reserve Board decided that it will temporarily allow the money supply (M1) to grow at a rate above its official 5½ percent upper target. This move has been forced by the weakness of the economy and technical factors that will make M1 expand sharply over the next several months. If the Fed had not relaxed its rigid monetarist control at this time, interest rates would have been pushed upward and the continuing recession would have become much more dangerous. Contrary to the warnings of strict monetarists, the policy shift has not revived fears of inflation and higher interest rates; instead it has given borrowers and lenders more hope for an economic recovery based on lower interest rates. Although Fed spokesmen have downplayed its significance, this policy adjustment represents a fundamental shift that could save the Reagan economic program.

It now appears that the Federal Reserve will consider new factors in deciding on monetary control measures. Since October 1979, monetary authorities had adhered to a strict monetarist policy of holding money supply growth to a fairly restrictive target, currently 2½ to 5½ percent annually. This approach was adopted to control inflation, although an unwanted side effect was an unprecented rise in interest rates that kept the economy in recession during most of the last three years. The new policy of the Federal Reserve will be to place more importance on the strength of the economy and less emphasis on the growth of the money supply. This change is based on two factors. First, the monetary authorities believe that inflation has come under control. Second, All-Savers certificate redemptions and the new money market certificates to be authorized for depositories will cause M1 to spurt ahead in the next few months.

In spite of recent pronouncements of an impending economic recovery by many analysts, the economy remains flat. Most gains in reported GNP over the past two quarters were involuntary inventory accumulation. The unemployment rate is at a postwar high, and the manufacturing capacity utilization rate probably reached a postwar low in September. Industrial production continues to fall.

For these reasons, monetary relaxation could not have come at a more opportune time. By allowing interest rates to fall, this more pragmatic monetary policy now will allow the economic recovery to develop this quarter and to be apparent during the first quarter of 1983. The manufacturing and retail sectors will be slow to recover, as business carefully controls inventory and as consumers remain cautious to maintain their savings while unemployment remains high.

However, because housing is an investment postponed by so many families over the past three years, it may break out of the stagnant mold ahead of other major sectors. The net result could be that housing will once again assume a major role in the economic recovery as buyers take advantage of attractive house prices, reduced mortgage rates, and innovative mortgage instruments.

Dr. Thomas R. Harter
Chief Economist

NOV
1982

MORTGAGE MARKET TRENDS—NOVEMBER 1982

RESIDENTIAL STRUCTURES, BY UNIT TYPE
(Units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES						HOUSING STARTS					
	Actual			Seasonally Adjusted Annual Rate			Actual			Seasonally Adjusted Annual Rate		
	Total[p]	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1981												
MAY	101	69	32	1,167	764	403	110	84	26	1,158	870	288
JUN	95	66	29	963	622	302	104	80	24	1,021	768	253
JUL	85	61	24	913	625	288	100	78	22	1,047	790	257
AUG	75	52	23	865	582	283	86	63	22	934	675	259
SEPT	81	49	32	850	533	317	85	64	20	920	708	216
OCT	66	44	23	722	482	240	86	58	28	864	590	274
NOV	54	35	19	723	476	247	64	47	17	863	651	212
DEC	57	35	22	789	544	245	60	40	21	899	635	264
1982												
JAN	47	29	19	832	528	304	48	34	14	895	668	227
FEB	50	32	18	795	509	286	51	37	14	924	642	282
MAR	79	51	28	851	541	310	79	59	20	941	697	244
APR	82	53	29	879	526	353	85	62	23	888	637	251
MAY	81	53	28	944	590	354	99	67	32	1,075	720	355
JUN	89	59	30	929	607	322	91	71	20	906	701	205
JUL	91	53	37	1,062	585	477	107	70	37	1,195	729	466
AUG	80p	55p	25p	886p	585p	301p	93p	68p	26p	1,002p	712p	290p
8 months												
1982	599	385	214				653	468	186			
1981	710	493	217				786	592	194			
1980	717	511	206				792	594	198			
1979	1,089	801	288				1,202	933	269			

VALUE OF NEW CONSTRUCTION PUT IN PLACE
(Dollars in millions)

Year and Month	Seasonally Adjusted Annual Rate			
	Total	1 Unit	2+ Units	Non-Res.
1981				
MAY	124,502	49,378	18,327	56,797
JUN	122,647	45,743	18,484	58,420
JUL	120,970	43,815	16,704	60,451
AUG	119,458	40,585	17,490	61,383
SEPT	117,067	38,480	17,429	61,158
OCT	113,897	36,185	16,575	61,157
NOV	113,037	34,608	16,377	62,072
DEC	113,827	34,288	16,863	62,676
1982				
JAN	115,136	35,446	15,821	63,869
FEB	115,975	34,557	15,800	65,618
MAR	117,171	34,725	17,563	64,883
APR	113,782	34,368	15,198	64,216
MAY	115,344	34,388	16,593	64,363
JUN	116,809	34,698	15,060	67,051
JUL	115,489	35,269	16,174	64,046
AUG	117,555p	35,017p	17,411p	65,127p

HOUSE SALES
(Units in thousands)

Year and Month	EXISTING HOUSES[1]	NEW HOUSES		
		Sold	Available For Sale	Months Supply at Current Rate
1981				
MAY	226	45	319	7.1
JUN	249	38	313	8.3
JUL	239	36	306	8.5
AUG	216	34	300	8.8
SEPT	184	27	298	11.2
OCT	173	29	290	10.1
NOV	141	27	278	10.5
DEC	128	29	272	9.4
1982				
JAN	114	27	273	10.2
FEB	131	28	267	9.4
MAR	176	35	268	7.6
APR	169	33	263	8.0
MAY	165	37	259	8.0
JUN	185	34	253	7.5
JUL	179	31	251	8.1
AUG	177p	34p	247p	7.2p
8 months				
1982	1,296	259		
1981	1,724	319		
1980	1,909	372		
1979	2,606	519		

RESIDENTIAL STRUCTURES, BY REGION
(units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES								STARTS							
	Actual				Seasonally Adjusted Annual Rate				Actual				Seasonally Adjusted Annual Rate			
	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West
1981																
MAY	11	14	47	30	119	143	553	352	12	19	54	25	125	172	597	264
JUN	12	14	42	27	111	136	440	276	11	18	51	23	99	155	540	227
JUL	11	12	41	21	114	117	460	222	16	17	44	23	151	170	493	233
AUG	11	10	36	18	115	108	430	212	11	14	42	18	107	151	465	211
SEPT	10	12	40	19	96	111	427	216	12	13	42	17	128	121	476	195
OCT	10	11	30	15	107	104	333	178	11	18	36	21	103	154	378	229
NOV	7	8	28	11	85	98	3[illegible]	158	7	10	36	11	80	128	497	158
DEC	7	6	32	12	90	100	431	168	8	7	33	13	112	125	483	179
1982																
JAN	3	2	32	10	65	76	512	179	3	3	32	10	76	82	463	157
FEB	4	3	33	11	86	76	473	160	3	2	36	10	110	70	591	152
MAR	8	8	47	16	88	87	490	186	7	7	49	16	111	97	540	193
APR	9	10	46	17	97	105	506	171	9	14	47	15	106	158	470	154
MAY	10	13	41	17	110	145	488	201	12	16	54	18	126	148	612	189
JUN	10	12	46	20	105	118	499	207	10	18	44	19	93	157	462	194
JUL	9	12	45	24	101	140	555	266	11	15	62	18	99	161	743	192
AUG	11p	10p	42p	17p	116p	107p	480p	183p	12p	16p	49p	16p	113p	167p	543p	179p
8 months																
1982	64	58	332	132					67	91	373	122				
1981	77	94	352	187					76	116	416	175				
1980	71	105	342	200					76	118	406	193				
1979	108	202	414	330					116	203	520	329				

CONSTRUCTION STATUS
(units in thousands)

Year and Month	UNDER CONSTRUCTION			COMPLETIONS		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1981						
MAY	893	571	322	97	75	22
JUN	872	560	312	123	89	34
JUL	856	552	304	111	82	29
AUG	831	533	297	109	81	29
SEPT	800	513	287	108	81	27
OCT	767	488	279	117	80	37
NOV	732	465	267	92	66	26
DEC	682	427	255	105	75	30
1982						
JAN	657	413	244	72	48	24
FEB	644	407	237	63	41	22
MAR	646	412	234	73	50	23
APR	653	419	234	75	53	22
MAY	666	425	241	86	61	25
JUN	671	438	232	85	76	28
JUL	690	442	248	85	64	21
AUG	692p	443p	249p	90	65	25
8 months						
1982				629	458	190
1981				836	620	216
1980				1,021	723	337
1979				1,177	904	273

INTEREST RATES AND YIELDS

Year and Month	1-4 UNIT MORTGAGES					APARTMENTS[3]	CONSTRUCTION LOANS[3] ALL TYPES	FNMA		GNMA Current Securities Yield[2]	SELECTED SECURITIES				SPREADS (Basis Points)	
	FHA Opinion Survey			FHLBB Survey				FMS Auction Yields on 4 mo. Commitments[4]			Aaa Utility New Issue	U.S. Gov't.		Prime Commercial Paper 90-119 Days	FHA New Minus Aaa Utility	GNMA minus 10-yr Gov't.
	FHA New[1]	Conventional		Conventional				FHA/VA	Conv.			10-yr	26-wk			
		New	Existing	New	Existing											
1981																
MAY	16.33	16.35	16.40	14.15	14.64	17.13	19.09	17.255	16.434	15.55	15.81	14.10	15.334	17.56	52	145
JUN	16.31	16.40	16.45	14.67	14.88	16.62		16.166	16.305	15.35	14.76	13.47	13.947	16.32	155	188
JUL	16.76	16.70	16.75	14.62	15.26	17.62		16.790	16.430	15.97	16.30	14.28	14.402	17.00	46	169
AUG	17.96	17.50	17.55	15.27	15.54	18.13	20.26	17.394	17.304	16.63	n.a.	14.94	15.548	17.23	n.a.	169
SEPT	18.55	18.30	18.35	15.37	15.83	19.13		19.003	19.100	17.33	17.21	15.32	15.057	16.06	134	201
OCT	17.43	18.05	18.05	15.65	16.01	18.87		18.180	18.610	16.89	16.94	15.15	14.013	14.85	49	232
NOV	15.98	16.95	17.00	16.38	16.38	16.87	19.46	16.709	17.250	15.09	15.56	13.39	11.530	12.16	31	170
DEC	16.43	17.00	17.00	15.89	16.02	17.38		16.630	16.931	15.38	15.20	13.72	11.471	12.12	123	166
1982																
JAN	17.38	17.30	17.30	15.25	15.92	18.13		17.890	17.330	16.22	15.68	14.59	12.930	13.09	170	163
FEB	17.10	17.20	17.20	15.12	15.73	17.38	17.86	17.993	17.912	16.24	15.93	14.43	13.709	14.53	117	181
MAR	16.41	16.80	16.85	15.67	15.65	16.88		17.265	17.064	15.83	15.26	13.86	12.621	13.80	115	197
APR	16.31	16.65	16.75	15.84	16.00	16.88		n.a.	16.678	15.56	15.83	13.87	12.861	14.06	48	169
MAY	16.19	16.50	16.55	15.89	16.11	16.88	17.80	16.267	16.310	15.26	15.22	13.62	12.220	13.42	97	164
JUN	16.73	16.75	16.80	15.40	15.56	17.62		17.216	16.700	15.89	15.92	14.30	12.310	13.96	81	159
JUL	16.29	16.50	16.55	15.70	15.52	17.13		17.199	16.820	15.54	15.61	13.95	12.236	12.94	68	159
AUG	14.61	15.40	15.45	15.71	15.63	15.62		15.780	15.740	14.31	13.95	13.06	10.105	10.15	66	125

LONG-TERM MORTGAGE LOANS CLOSED

(Dollars in Millions)

Year and Month	BY TYPE OF INSTITUTION					BY TYPE OF UNIT, AND INSTITUTION													
						1-4 Units					5+ Units					Nonresidential				
	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.
1981																				
MAR	9,886	2,030	4,276	2,750	830	7,648	2,060	3,818	1,729	41	680	230	158	212	80	2,098	280	300	809	709
APR	11,081	2,220	4,749	3,044	1,068	8,294	2,250	4,210	1,789	45	756	270	234	147	105	2,591	260	305	1,108	918
MAY	12,249	2,190	4,961	4,160	938	8,737	2,320	4,453	1,922	42	724	270	183	216	55	3,568	380	325	2,022	841
JUN	12,845	2,230	5,367	4,231	1,017	10,021	2,570	4,767	2,640	44	721	90	259	244	128	2,753	220	341	1,347	845
JUL	11,313	2,390	4,528	3,648	747	8,899	2,480	4,006	2,371	42	680	200	220	133	55	2,356	260	302	1,144	650
AUG	10,360	2,640	3,843	3,114	763	8,121	2,480	3,434	2,161	46	1,580	1,260	167	131	22	1,949	190	242	822	695
SEP	10,052	2,190	3,496	3,553	813	7,357	1,880	3,063	2,363	51	444	100	114	152	78	2,251	210	319	1,038	684
OCT	10,472	2,550	3,206	3,634	1,082	6,109	1,580	2,818	2,181	30	1,024	710	143	152	19	2,839	260	245	1,301	1,033
NOV	7,767	1,430	2,809	2,778	750	5,243	1,170	2,421	1,620	32	432	130	159	126	17	2,092	130	229	1,032	701
DEC	10,273	2,790	3,302	3,119	1,062	6,231	1,630	2,669	1,887	45	1,265	880	184	174	27	2,777	280	449	1,058	990
1982																				
JAN	7,593	1,780	2,410	2,471	780	4,678	1,250	1,975	1,440	16	718	350	168	168	26	2,197	180	267	863	738
FEB	8,558	2,420	2,600	2,966	596	4,989	1,230	2,097	1,620	42	1,509	1,030	246	178	54	2,060	160	257	1,168	500
MAR	9,586	2,130	3,160	3,465	795	6,398	1,860	2,626	1,872	39	523	130	207	129	51	2,665	140	327	1,464	705
APR	9,119	2,190	3,100	3,071	684	6,204	1,900	2,582	1,674	45	536	110	177	172	70	2,379	180	341	1,225	569
MAY	8,713	2,490	3,193	2,869	517	6,206	2,030	2,541	1,597	38	590	300	163	111	15	2,314	160	489	1,191	464
JUN	11,242	2,890	4,041	3,826	485	7,863	2,560	3,258	1,995	50	667	160	271	223	13	2,712	170	512	1,608	422
JUL	10,534	2,600	3,427	3,661	846	7,401	2,370	2,922	2,049	60	481	50	206	177	48	2,642	170	299	1,435	738

LONG-TERM COMMITMENT ACTIVITY

(Dollars in Millions)

Year and Month	OUTSTANDING					ISSUED DURING MONTH				
	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.
1981										
MAR	57,796	12,470	20,631	8,927	15,758	10,480	3,250	5,013	1,661	556
APR	56,271	10,340	21,720	8,749	15,462	10,973	3,030	5,433	1,658	852
MAY	57,868	11,220	22,109	9,524	15,015	11,723	3,240	5,232	2,751	500
JUN	54,757	10,240	21,449	8,438	14,630	9,994	3,120	4,325	1,717	832
JUL	54,885	11,650	20,686	8,371	14,178	8,861	3,040	3,598	1,739	484
AUG	53,343	11,380	19,741	8,605	13,617	7,728	3,130	3,250	1,035	313
SEP	51,166	9,540	18,654	9,515	13,457	8,049	1,920	2,751	2,521	857
OCT	45,638	7,080	17,897	8,045	12,636	6491	2,190	2,716	1,233	352
NOV	44,283	6,320	17,416	8,319	12,228	6,238	2,200	2,507	1,167	364
DEC	44,867	7,390	16,887	9,130	11,460	7,413	3,350	2,823	940	300
1982										
JAN	44,154	7,720	16,653	8,925	10,850	6,855	2,570	2,261	1,731	293
FEB	43,174	7,570	16,529	8,586	10,489	6,926	2,530	2,844	1,127	425
MAR	46,557	9,400	16,664	9,572	10,921	9,310	3,440	3,347	1,559	964
APR	49,230	10,060	17,186	11,265	10,719	9,644	3,980	3,390	1,564	710
MAY	50,347	10,220	17,362	12,167	10,598	9,253	3,750	3,350	1,620	533
JUN	49,533	9,710	17,327	12,336	10,160	8,330	2,810	3,597	1,623	300
JUL	48,742	8,930	16,951	13,132	9,729	8,727	3,020	3,537	1,625	545

MORTGAGE INSURANCE

(Units in thousands, dollars in millions)

Year and Month	APPLICATIONS RECEIVED UNITS			INSURED					
				Total		FHA (203)		VA	
	Total	FHA/VA	Private	Units	Amt.	Units	Amt.	Units	Amt.
1981									
MAR	94	60	34	53	2,627	14	560	13	706
APR	96	58	38	59	2,938	16	664	14	770
MAY	80	42	38	54	2,643	14	573	11	583
JUN	81	41	41	64	3,272	14	600	16	876
JUL	74	38	36	59	3,043	12	495	12	644
AUG	68	38	32	52	2,800	10	422	12	696
SEP	62	30	32	55	2,876	15	620	11	660
OCT	51	24	27	43	2,310	8	341	9	485
NOV	47	24	23	41	2,119	10	389	8	464
DEC	62	38	24	38	1,957	8	311	6	357
1982									
JAN	48	31	17	31	1,726	7	270	6	327
FEB	54	32	22	32	1,785	8	356	7	393
MAR	69	37	32	39	2,193	9	373	7	421
APR	63	34	29	35	1,976	8	322	6	374
MAY	67	31	36	43	2,222	8	335	6	328
JUN	na	40	43	50	2,743	9	408	8	443
JUL	na	na	43	na	na	na	na	9	482

Year and Month	Private			
	Units	Amt.		
1981				
MAR	26	1,361		
APR	29	1,504		
MAY	29	1,487		
JUN	34	1,796		
JUL	35	1,904		
AUG	30	1,682		
SEP	29	1,596		
OCT	26	1,484		
NOV	23	1,266		
DEC	24	1,289		
1982				
JAN	18	1,129		
FEB	17	1,036		
MAR	23	1,399		
APR	21	1,280		
MAY	29	1,559		
JUN	33	1,892		
JUL	34	1,830		

SECONDARY MARKET ACTIVITY

(Dollars in Millions)

Year and Month	FNMA					FHLMC			GNMA	
	4-Month Commitments				12 Month Convert Standby	Comm.	Purc.	Sold	Pass-Through Securities	
	FHA/VA		Conventional							
	Bid	Accept	Bid	Accept					Applications	Issued
1981										
JAN	275	122	32	30	78	203	152	168	3,656	1,300
FEB	199	115	118	79	41	81	174	94	2,231	1,306
MAR	197	139	149	98	67	474	148	128	3,297	1,046
APR	175	147	127	92	22	118	125	97	2,962	1,404
MAY	282	252	281	156	69	130	480	421	4,296	1,245
JUN	298	265	307	224	204	293	139	94	4,380	1,382
JUL	405	354	306	238	201	865	242	238	2,050	1,589
AUG	602	352	624	252	113	308	101	44	2,339	959
SEP	400	133	359	120	0	365	393	249	8,106	1,184
OCT	82	37	43	27	0	1,834	290	244	571	739
NOV	105	41	149	63	0	2,011	416	598	1,298	795
DEC	81	34	84	48	0	203	1,140	1,156	1,729	1,304
1982										
JAN	51	31	32	12	0	3,280	1,629	1,628	1,543	902
FEB	51	23	29	14	0	565	1,228	1,115	1,789	960
MAR	57	33	65	32	0	2,523	1,481	1,564	2,223	1,335
APR	n.a.	n.a.	38	23	0	2,824	2,144	2,176	1,219	835
MAY	42	7	39	23	0	2,692	1,214	1,194	1,812	1,194
JUN	33	7	59	33	0	3,166	1,581	1,564	2,800	1,530
JUL	11	1	37	24	0	2,181	2,236	2,618	2,116	1,311

MORTGAGE BANKERS CONSTRUCTION AND LAND LOAN ACTIVITY

(Dollars in Millions)

Year and Month	DISBURSEMENTS DURING MONTH					OUTSTANDING COMMITMENTS TO BORROWERS			
	Construction				Land Loans				
	Total	1-4 Units	5+ Units	Non-res.		Total	1-4 Units	5+ Units	Non-res.
1981									
JAN	220	70	50	100	80	4,680	1,070	2,010	1,600
FEB	250	100	50	100	170	5,940	1,090	1,900	2,950
MAR	290	120	60	110	180	6,810	980	2,640	3,190
APR	390	130	80	180	100	5,200	920	1,410	2,870
MAY	260	120	50	90	90	4,500	910	2,310	1,280
JUN	220	90	50	80	120	3,640	900	1,560	1,180
JUL	360	170	60	130	150	3,920	900	1,860	1,160
AUG	270	110	60	100	100	5,720	850	1,880	2,990
SEP	310	130	70	110	110	3,890	890	1,630	1,370
OCT	280	100	50	130	90	5,780	920	1,200	3,660
NOV	240	90	50	100	110	3,570	630	1,500	1,440
DEC	280	120	70	90	90	3,870	770	1,430	1,670
1982									
JAN	230	60	40	130	110	3,630	630	1,270	1,730
FEB	280	90	50	140	230	3,600	490	1,360	1,750
MAR	240	120	30	90	120	3,910	590	1,530	1,800
APR	300	120	30	150	120	6,360	640	2,130	3,580
MAY	220	80	60	80	140	5,890	540	2,700	3,650
JUN	280	100	60	120	110	6,800	430	1780	4,590
JUL	220	80	40	100	60	8,030	420	1,820	5,790

n.a.-Not available; p-Preliminary

[a]From the National Association of Realtors' "Existing Home Sales" series.

[b]Reflects cumulative total through the latest month for each column.

[c]Secondary market gross yields.

[d]Federal Home Loan Mortgage Corp. Existing construction only.

[e]Federal Reserve's weighted average interest rate for Commercial Banks.

[f]Weighted average gross yields for accepted bids.

[g]Survey of three New York security dealers. Securities for immediate delivery.

[h]Mutual Savings Banks and Commercial Banks.

Sources: American Council of Life Insurance, Board of Governors of the Federal Reserve System, Bureau of the Census, Citicorp Real Estate Inc., Department of Housing and Urban Development, Federal Home Loan Bank Board, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Mortgage Bankers Association of America, National Association of Mutual Savings Banks, National Association of Realtors, Veterans Administration.

MORTGAGE BANKING ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED[1]

Year and Month[2]	SEASONALLY ADJUSTED				NOT SEASONALLY ADJUSTED								
						1-4 Units				5+ Units			
	Total[3]	1-4 Units	5+ Units	Non-Res.	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-[3] Res.
1980													
OCT	3,200	2,610	310	420	3,680	3,050	1,140	910	1,000	210	110	100	420
NOV	2,690	2,120	160	390	2,620	2,070	730	640	700	150	110	40	400
DEC	2,690	2,160	200	230	2,950	2,300	850	710	740	230	140	90	420
1981													
JAN	3,030	1,750	710	560	2,750	1,620	600	480	540	770	240	530	360
FEB	2,310	1,870	80	390	2,000	1,490	600	470	420	80	20	60	430
MAR	2,940	2,390	260	260	2,570	2,060	850	650	560	230	150	80	280
APR	3,190	2,640	250	270	2,780	2,250	900	660	690	270	30	240	260
MAY	3,230	2,480	480	390	2,970	2,320	860	650	810	270	160	110	380
JUN	2,920	2,510	80	290	2,880	2,570	800	630	1,140	90	10	80	220
JUL	2,870	2,270	180	300	2,940	2,480	720	600	1,160	200	140	60	260
AUG	3,290	2,120	1,300	240	3,930	2,480	740	630	1,110	1,260	20	1,240	190
SEP	1,890	1,640	60	210	2,190	1,880	480	390	1,010	100	40	60	210
OCT	2,210	1,310	1,140	270	2,550	1,580	450	330	800	710	0	710	260
NOV	1,560	1,350	130	100	1,500	1,270	360	290	620	130	20	110	100
DEC	2,530	1,500	780	140	2,790	1,630	560	380	690	880	0	880	280
1982													
JAN	1,980	1,400	310	270	1,780	1,250	390	330	530	350	150	200	180
FEB	2,840	1,570	1,010	150	2,420	1,230	430	270	530	1,030	890	140	160
MAR	2,420	2,130	150	140	2,130	1,860	570	320	970	130	40	90	140
APR	2,470	2,200	110	170	2,190	1,900	560	340	1,000	110	10	100	180
MAY	2,800	2,220	530	190	2,490	2,030	650	420	960	300	120	180	160
JUN	2,910	2,500	140	210	2,890	2,560	810	550	1,200	160	130	30	170
JUL	2,530	2,100	60	170	2,600	2,370	760	520	1,090	50	60	0	170
Year-to-date													
1982					16,500	13,200	4,170	2,750	6,280	2,140	1,400	740	1,160
1981					18,890	14,790	5,330	4,140	5,320	1,910	750	1,160	2,190
1980					21,110	16,700	6,320	5,240	5,140	1,460	500	960	2,950
1979					22,550	18,290	6,260	5,960	6,070	1,490	490	1,000	2,770

COMMITMENT ACTIVITY: LONG-TERM MORTGAGE LOANS

Year and Month[2]	COMMITMENTS DURING MONTH								OUTSTANDING COMMITMENTS END OF MONTH					
	To Borrowers				From Investors				To Borrowers			From Investors		
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1980														
OCT	3,340	2,770	50	520	3,690	2,470	230	990	6,870	460	1,760	7,100	1,200	2,600
NOV	2,770	1,700	850	220	3,780	2,400	880	500	6,590	960	1,360	7,390	1,890	2,270
DEC	2,880	1,860	410	610	3,760	2,000	560	1,200	6,000	760	1,440	6,560	1,340	2,500
1981														
JAN	5,170	4,700	280	190	2,360	1,900	300	160	9,120	970	1,210	6,110	1,910	2,280
FEB	2,880	2,460	190	230	4,180	3,530	290	360	9,110	610	1,200	6,310	1,390	1,890
MAR	3,250	2,790	290	170	5,220	3,190	570	1,460	7,890	1,020	1,190	7,580	2,430	2,460
APR	3,030	2,480	90	460	2,950	2,220	150	580	7,650	560	1,220	7,220	1,160	1,960
MAY	3,240	2,750	290	200	6,420	4,740	600	1,080	7,690	1,110	980	6,900	2,290	2,030
JUN	3,120	2,540	110	470	3,200	2,540	240	420	7,230	650	990	6,930	1,300	2,010
JUL	3,040	2,600	110	330	4,380	3,740	140	500	7,360	1,230	1,140	7,220	2,200	2,230
AUG	3,130	2,660	20	450	2,550	2,040	80	430	7,430	1,090	1,180	7,110	2,030	2,240
SEP	1,920	1,600	250	70	2,130	1,410	360	360	5,380	1,110	1,110	5,360	2,060	2,120
OCT	2,190	1,680	160	350	2,150	1,730	190	230	5,180	330	980	5,080	630	1,370
NOV	2,160	1,300	610	250	3,530	1,480	700	1,350	3,760	590	970	4,140	940	1,780
DEC	3,350	2,350	570	430	2,830	2,000	670	160	5,900	550	940	4,710	880	1,130
1982														
JAN	2,570	2,320	50	200	2,970	2,570	30	370	6,130	540	1,050	5,720	1,160	1,350
FEB	2,530	2,150	10	370	3,020	2,440	30	550	5,980	520	1,070	4,540	1,300	1,390
MAR	3,440	2,910	150	380	2,920	2,580	250	80	7,620	670	1,110	5,760	1,060	1,420
APR	3,980	2,220	730	1,030	5,370	3,330	840	1,200	7,340	900	1,820	7,230	1,570	2,140
MAY	3,750	2,430	660	660	3,940	2,540	750	650	7,830	1,140	1,250	6,900	1,990	1,430
JUN	2,810	2,580	10	220	3,170	2,660	150	360	7,520	360	1,050	7,150	930	1,260
JUL	3,020	2,510	170	340	4,530	3,780	250	500	7,490	450	1,470	8,010	880	1,730
Year-to-date														
1982	22,100	17,120	1,780	3,200	25,920	19,900	2,300	3,710						
1981	23,730	20,320	1,360	2,050	28,710	21,860	2,290	4,560						
1980	21,350	19,190	1,200	960	18,230	14,390	2,560	1,280						
1979	24,150	18,780	1,280	4,090	24,900	18,590	1,870	4,440						

Notes: [1]All dollar amounts are in millions.

[2]Total is seasonally adjusted separately from components. Total, therefore, may not equal sum of parts.

[3]Series labeled non-residential are also inclusive of farm data.

[4]Percent coverage equals outstanding commitments received from investors divided by the sum of outstanding end of month inventory and outstanding commitments issued to borrowers, all multiplied by 100.

[5]Data for July is preliminary and subject to revision in subsequent issues.

Year and Month[a]	OUTSTANDING END OF MONTH INVENTORY									COVERAGE[a]			SERVICING VOLUME		
		1-4 Units				5+ Units									
	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1980															
OCT	7,260	5,320	1,550	1,220	2,550	1,000	420	580	940	58	82	96	196,940	19,660	28,980
NOV	6,180	4,380	1,220	960	2,200	900	420	480	900	67	102	100	198,210	21,750	33,740
DEC	5,840	4,070	1,030	870	2,170	1,010	410	600	760	65	76	114	194,990	20,820	33,490
1981															
JAN	9,200	5,200	1,630	1,360	2,210	1,310	490	820	2,690	43	84	58	200,590	19,820	36,230
FEB	9,300	5,380	1,660	1,410	2,310	1,030	160	870	2,890	44	85	46	206,300	19,790	38,430
MAR	9,260	5,600	1,770	1,510	2,330	830	160	670	2,830	56	131	61	212,440	20,220	40,220
APR	9,860	5,990	1,950	1,580	2,460	1,020	160	860	2,850	53	73	48	217,840	20,350	39,330
MAY	10,450	6,510	2,040	1,750	2,720	910	160	750	3,030	49	113	51	217,660	19,900	39,070
JUN	10,430	6,560	2,090	1,700	2,760	850	160	690	3,020	50	87	50	219,820	20,330	39,370
JUL	10,230	6,380	2,050	1,680	2,650	1,000	160	840	2,850	53	99	56	229,870	21,710	42,720
AUG	11,100	6,540	2,100	1,670	2,770	990	150	840	3,570	51	98	47	228,510	22,610	43,420
SEP	10,580	6,030	1,870	1,580	2,580	810	190	620	3,740	47	107	44	198,150	19,600	38,870
OCT	12,640	5,940	1,890	1,490	2,560	1,030	290	740	5,670	46	46	21	210,350	19,380	42,790
NOV	9,810	5,450	1,720	1,360	2,370	1,030	290	740	3,330	45	58	42	196,060	21,110	35,620
DEC	9,610	5 390	1,670	1,300	2,420	930	260	670	3,290	42	59	27	227,060	24,100	39,530
1982															
JAN	5,320	3,450	690	500	2,260	750	200	550	1,120	60	90	62	229,420	24,740	34,760
FEB	5,370	3,040	590	460	1,990	1,040	390	650	1,010	50	83	67	227,330	23,310	34,640
MAR	6,140	3,830	790	490	2,550	1,010	20	990	1,310	50	63	59	238,990	27,350	32,820
APR	6,830	3,810	800	540	2,470	1,230	20	1,210	1,780	65	74	59	243,550	25,950	33,800
MAY	6,540	3,790	790	550	2,450	1,690	10	1,680	1,060	59	70	62	246,640	26,190	36,430
JUN	4,270	3,510	910	610	1,990	470	10	460	290	65	112	94	255,790	26,790	36,350
JUL	7,190	4,090	960	780	2,350	1,650	10	1,640	1,450	69	49	59	244,320	27,660	36,710

CONSTRUCTION AND LAND LOAN ACTIVITY

Year and Month[a]	DISBURSEMENTS DURING MONTH					CONSTRUCTION LOANS CLOSED				END OF MONTH INVENTORY				
	Total	1-4 Units	5+ Units	Non-Res.	Land Loans	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Land Loans
1980														
OCT	290	120	60	110	250	910	600	260	50	2,420	780	660	980	810
NOV	290	90	120	80	70	600	450	60	90	2,800	780	810	1,210	780
DEC	280	90	80	110	210	1,220	370	180	670	2,830	760	840	1,230	860
1981														
JAN	220	70	50	100	80	530	380	40	110	2,690	930	710	1,050	880
FEB	250	100	50	100	170	650	420	110	120	3,170	1,030	720	1,420	1,030
MAR	290	120	60	110	180	560	380	70	110	3,130	990	730	1,410	980
APR	390	130	80	180	100	800	640	50	110	3,020	960	690	1,370	960
MAY	260	120	50	90	90	520	330	110	80	2,630	960	640	1,030	950
JUN	220	90	50	80	120	620	450	50	120	2,510	900	630	980	880
JUL	360	170	60	130	150	520	380	30	110	3,040	1,080	780	1,180	1,000
AUG	270	110	60	100	100	470	320	30	120	3,550	1,040	860	1,650	990
SEP	310	130	70	110	110	460	280	60	120	3,140	1,100	820	1,220	900
OCT	280	100	50	130	90	1,170	880	50	240	3,340	1,030	710	1,600	1,160
NOV	290	110	60	120	100	330	320	0	10	2,980	940	800	1,240	970
DEC	280	120	70	90	110	1,820	1,820	0	0	3,140	950	850	1,340	1,180
1982														
JAN	230	60	40	130	110	160	150	0	10	2,880	820	690	1,370	1,270
FEB	280	90	50	140	230	770	760	0	10	3,070	840	770	1,460	1,450
MAR	240	120	30	90	120	570	560	0	10	2,880	840	690	1,360	1,240
APR	300	120	30	150	120	600	600	0	0	2,820	820	710	1,300	1,360
MAY	220	80	60	80	140	260	250	0	10	2,860	750	740	1,370	1,230
JUN	280	100	60	120	110	210	190	10	10	3,650	740	890	2,020	1,080
JUL	220	80	40	100	60	170	150	10	10	3,360	720	770	1,870	930

Year and Month[a]	COMMITMENTS TO BORROWERS: LAND AND CONSTRUCTION LOANS								NOTES PAYABLE			
	Issued During Month				End of Month Balances				End of Month Balances			
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Total	Comm. Paper	To Parent	To Others
1980												
OCT	2,110	1,020	330	760	4,420	1,460	1,200	1,760	11,180	2,750	3,600	4,830
NOV	970	230	590	150	5,650	960	2,240	2,450	11,360	2,180	4,060	5,120
DEC	1,360	290	500	570	5,040	900	1,620	2,520	10,110	1,960	3,710	4,440
1981												
JAN	950	180	410	360	4,680	1,070	2,010	1,600	9,020	2,090	3,290	3,640
FEB	1,510	290	440	780	5,940	1,090	1,900	2,950	9,430	2,050	3,470	3,910
MAR	1,430	340	380	710	6,810	980	2,640	3,190	9,670	1,960	3,580	4,130
APR	1,300	420	230	650	5,200	920	1,410	2,870	9,690	1,840	3,430	4,420
MAY	1,260	340	470	450	4,500	910	2,310	1,280	9,810	1,970	3,300	4,540
JUN	750	290	260	200	3,640	900	1,560	1,180	10,150	1,890	3,460	4,800
JUL	930	350	210	370	3,920	900	1,860	1,160	10,570	1,900	3,840	4,830
AUG	1,110	340	170	600	5,720	850	1,880	2,990	10,790	1,860	4,420	4,510
SEP	1,010	210	320	480	3,890	890	1,630	1,370	9,220	1,830	3,460	3,930
OCT	990	340	30	620	5,780	920	1,200	3,660	8,690	1,730	2,920	4,040
NOV	1,210	350	530	330	3,730	750	1,520	1,460	8,590	1,330	3,430	3,830
DEC	1,320	420	500	400	3,870	770	1,430	1,670	9,100	880	3,830	4,390
1982												
JAN	1,380	550	420	410	3,630	630	1,270	1,730	9,170	900	4,000	4,270
FEB	760	180	220	360	3,600	490	1,360	1,750	9,500	950	3,760	4,790
MAR	1,300	560	190	550	3,910	590	1,530	1,800	10,090	1,090	4,900	4,100
APR	1,620	450	650	520	6,360	640	2,130	3,580	11,260	730	4,380	6,140
MAY	1,510	250	810	450	5,890	540	2,700	2,650	10,500	860	3,910	5,730
JUN	750	270	250	230	6,800	430	1,780	4,590	12,650	840	4,860	6,950
JUL	1,060	200	370	490	8,030	420	1,820	5,790	10,800	1,390	4,000	5,410

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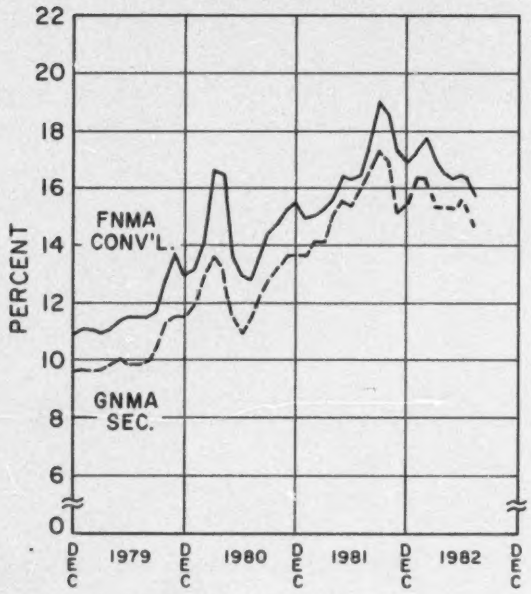

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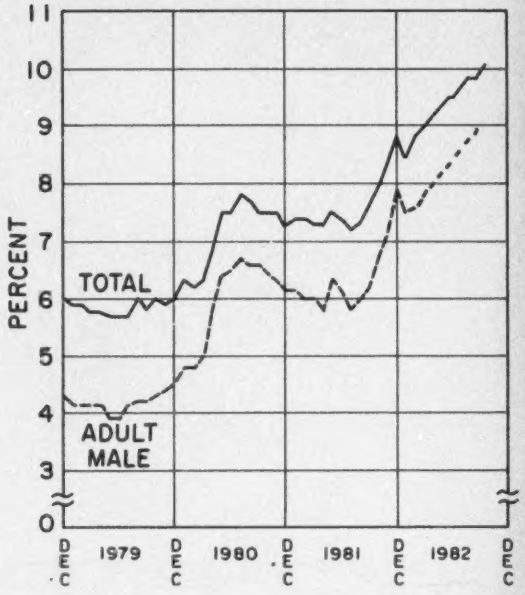

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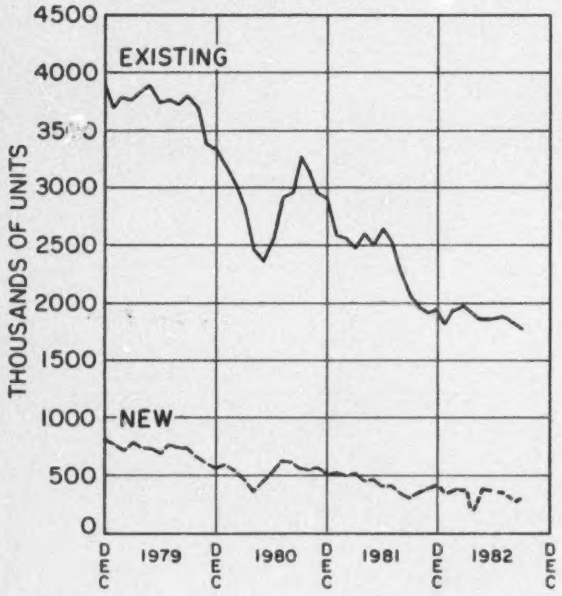

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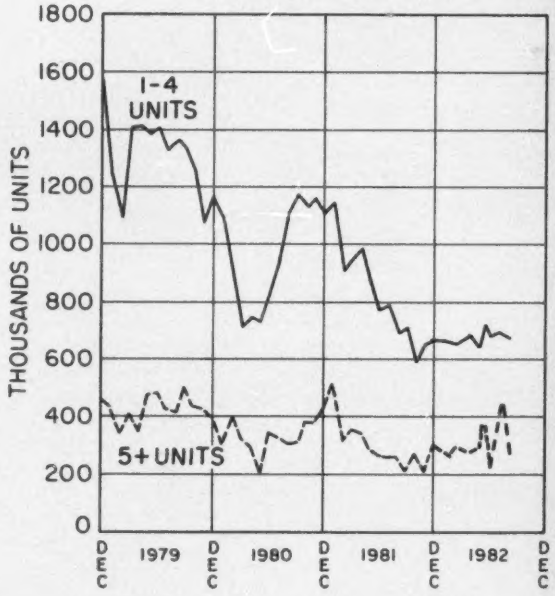

Footnote:

1. Seasonally Adjusted Annual Rates.

Sources: Commerce Dept., National Association of Realtors.

NOTE

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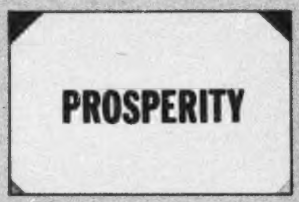

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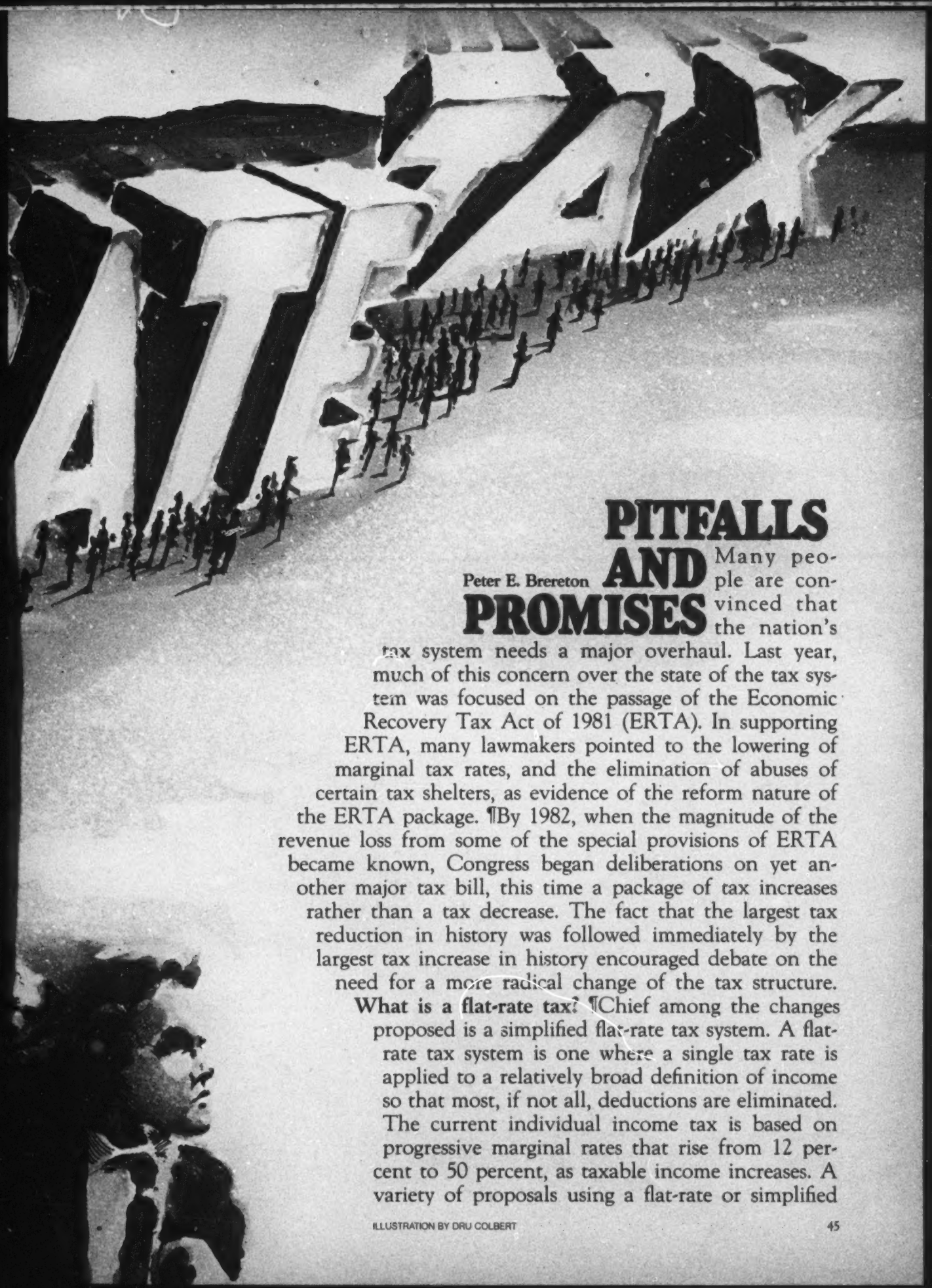


PITFALLS AND PROMISES

Peter E. Brereton

Many people are convinced that the nation's tax system needs a major overhaul. Last year, much of this concern over the state of the tax system was focused on the passage of the Economic Recovery Tax Act of 1981 (ERTA). In supporting ERTA, many lawmakers pointed to the lowering of marginal tax rates, and the elimination of abuses of certain tax shelters, as evidence of the reform nature of the ERTA package. ¶By 1982, when the magnitude of the revenue loss from some of the special provisions of ERTA became known, Congress began deliberations on yet another major tax bill, this time a package of tax increases rather than a tax decrease. The fact that the largest tax reduction in history was followed immediately by the largest tax increase in history encouraged debate on the need for a more radical change of the tax structure.

What is a flat-rate tax? ¶Chief among the changes proposed is a simplified flat-rate tax system. A flat-rate tax system is one where a single tax rate is applied to a relatively broad definition of income so that most, if not all, deductions are eliminated. The current individual income tax is based on progressive marginal rates that rise from 12 percent to 50 percent, as taxable income increases. A variety of proposals using a flat-rate or simplified

ILLUSTRATION BY DRU COLBERT

tax approach have been introduced in Congress. Hearings on some of these proposals were held by the Senate Finance Committee last fall.

This article discusses some of the issues raised by our current tax system, how the variety of flat-rate proposals compare, and how the implementation of such a system will affect the housing industry, and specifically the mortgage banker.

Current individual income tax

One of the reasons for the interest in the flat-rate tax is dissatisfaction with the current tax system. There are a number of major complaints made about our present income tax: it is too complicated, inflation distorts its intended effects through bracket creep, income from capital is taxed twice, high marginal rates shift scarce savings from productive investments to less productive tax shelters, and finally, its complexity provides unintended windfalls to those wealthy enough to manipulate the system. Some of these problems might be reduced or eliminated by a shift to a flat-rate tax system.

The driving force behind any tax system is how it defines income. The current individual income tax has two basic categories of income: adjusted gross income, and taxable income. Adjusted gross income is the result of reducing gross income, subject to tax, by some adjustments. These include: (1) moving expenses, (2) expense deductions attributable to rents and royalties, (3) depreciation and depletion allowances, (4) exclusion of allowable disability income, (5) deductible losses from sales of capital assets and other property, (6) employee business expenses, (7) deductible portion of the excess of net long-term capital gain over net short-term capital loss (8) excludable portion of qualified dividends, (9) payments to an IRA or Keough plan, and (10) alimony payments.

Peter E. Brereton joined the Mortgage Bankers Association of America as assistant economist in January 1981. Before joining MBA, he was legislative assistant to Congresswoman Mary Rose Oakar, (D.-Ohio), where he specialized in banking and housing matters.

Table A

Average Tax Rates by Income—1979

Adjusted Gross Income (thousands)	Total Income Tax as a Percentage of: Taxable Income	Adjusted Gross Income Less Deficit*
under $5	3.7	1.0
$5 under $10	9.0	5.7
$10 under $15	12.3	9.5
$15 under $20	14.4	11.6
$20 under $50	18.6	15.0
$50 under $100	29.9	24.2
$100 under $200	40.8	33.2
$200 under $500	50.2	40.6
$500 under $1,000	57.4	45.2
$1,000 or More	64.5	50.1
Total 1979 Income	19.0	15.3

** Deficits occur when allowable deductions or losses exceed gross income.*
SOURCE: U.S. Department of the Treasury, 1979 Statistics of Income.

Taxable income is the amount to which tax rates are applied to derive the tax generated. It is determined by subtracting from adjusted gross income "excess itemized deductions" and the amount of any exemptions. Excess itemized deductions can be defined as the amount by which total itemized deductions exceed the zero bracket amount.

Table A shows the average tax rates paid by each income class in 1979, on both adjusted gross and taxable income. In 1979, the total income tax took an average of 19 percent of taxable income and an average of 15.3 percent of adjusted gross income, less deficit. Preliminary findings for 1980 show that the percentage of adjusted gross income taken in taxes did not change much, rising to 15.5 percent.

It is interesting to observe that this average is lower than one would expect, based upon the public outcry over the burdens of taxation. However, it must be viewed in perspective, representing but one share of the federal tax burden because it ignores the impact of rising Social Security taxes.

Current system's progressivity

A prominent feature of the current system that is apparent from Table A is the progressivity of the system. One of the underlying principles of the nation's present tax system is that it is based upon the ability to pay. Taxpayers with higher incomes pay greater shares of their incomes in taxes.

In 1979, the latest year for which detailed statistics are available, the percent of adjusted gross income taken by the federal income tax ranged from a low of 1.0 percent on incomes under $5,000 to 50.1 percent on incomes of $1,000,000 or more. Most flat-rate tax schemes lack this progressivity. Taxpayers would pay the same rate, regardless of income.

What would happen if, under the current definition of income, a flat-rate tax was applied? In Table B, adjusted gross income is shown for each bracket as reported in the 1979 tax returns. The tax burden for each group, as it was in 1979, is also shown. The flat-rate required to net the same amount of tax revenue is 14.5 percent. This is smaller than Treasury's 15.3 percent average because the data is not adjusted for deficits, in the table. Table B shows the tax burden for each income group and the percent change in burden for each group.

Table B

Flat Tax vs. Current System

1979 Adjusted Gross Income (thousands)	(millions)	Flat Tax(*) (millions)	Current Law (millions)	Change (percent)
under $5	$ 51,880	$ 7,522	532	1,313
$5-9	154,712	21,128	8,350	153
$10-14	178,809	25,927	16,949	53
$15-19	198,511	28,784	22,661	27
$20-29	374,063	54,239	50,112	8
$30-49	318,235	46,144	54,079	-15
$50-99	123,163	17,858	29,811	-40
$100-199	47,051	6,822	15,655	-56
$200-499	22,670	3,287	9,219	-64
$500-999	6,571	952	2,972	-68
$1,000 UP	8,116	1,176	4,073	-71
Total		$213,839	$214,413	

* *Flat Tax estimated at 14.5 percent.*
SOURCE: U.S. Department of the Treasury, 1979 Statistics of Income.

Table C

Comparative Distribution of Tax Liabilities

Income (thousands)	Tax Liability 1984 Law (millions)	Tax Liability Flat Tax* (millions)	Percent Change
0-5	$ 403	$ 2,232	453.7
5-10	5,772	7,854	36.1
10-15	12,526	15,720	25.5
15-20	17,462	20,778	19.0
20-30	44,080	49,978	13.4
30-50	63,833	66,466	4.1
50-100	38,687	32,658	-15.6
100-200	18,656	12,459	-33.2
200 or more	16,385	10,050	-38.7
TOTAL	$217,803	$218,194	0.2

* Assumes a 15.7 percent tax on income that includes long-term pital gains and no itemized deductions.
SOURCE: Adapted from: Joseph Minarek, The Future of the Individual Income Tax, *1982.*

Changing tax burdens

Several things are apparent in Table B. First, the simple application of a flat-rate tax decreases the tax burden of the higher income taxpayer while increasing it dramatically for the lower income. The key income bracket is at $30,000. Above this bracket income taxes would decline an average of 34 percent. For incomes below $30,000, taxes would increase an average of nearly 40 percent.

It is those with adjusted gross incomes below $10,000 who experience the largest proportional increase in taxes. On the positive side, it is also clear that a 14.5 percent flat-rate tax would decrease the marginal rates faced by almost all but the lowest income taxpayer. In 1979, marginal tax rates in force ranged from 14 percent to 70 percent. Obviously, a flat rate tax of 14.5 percent on adjusted gross income would mean that taxpayers in the income levels most likely to save and invest would be more inclined to do so when they faced an after-tax return on each dollar of 85 cents rather than 25 or 30 cents.

This macroeconomic effect of lowering marginal rates is one contribution that a flat-rate system makes to housing. Because the housing industry depends upon a large pool of investable funds, increasing the size of that pool can have a positive impact on housing. The problem comes when making the flat-rate tax palatable to the voters. Since the median income of Americans in 1981 was $22,390, there are a great number of people who may perceive the flat-rate tax as an economic threat. In an effort to alleviate this fear and eliminate some of the inherent regressivity of the flat-rate tax system, most of the proposals advanced contain some form of low-income relief, or retain some tax deductions. Keeping the tax rate low, however, involves expanding the tax base.

Definitions of income

The alternative to using adjusted gross income or taxable income as the base is to come up with a much more inclusive definition of income that will lead to a much broader base. This definition, which can be called comprehensive income, would be analogous to the total economic income of an individual. It would include many types of income that are now exempt from taxation, such as investments in retirement accounts, Social Security and unemployment benefits. It might tax long-term capital gains at ordinary income rates.

Using this comprehensive income definition, there would be no deductions or excluded income. The result would be a much broader tax base and the lowest possible tax rates. Nonetheless, even with these advantages a flat-rate tax system based upon comprehensive income would still result in large increases in the tax burden for low and middle income taxpayers. Such increases would be redistributive, increasing taxes for ev-

continued

ery income class below $30,000 and decreasing them sharply for every income above $50,000.

Table C compares the effects of a 15.7 percent tax rate applied to a comprehensive income that taxes long-term capital gains in full and allows no itemized deductions, with the effects of the current system. The current system is labeled "1984 Law" because it incorporates the tax changes made by ERTA. Both columns reflect incomes expressed in 1981 dollars.

The base rate is 15.7 percent because it produces almost the same revenue as required by the 1984 law. The tax reduction for those with incomes above $200,000 would be more than 38 percent compared with the present system, and the tax increase for the very low income would be 453.7 percent.

While the introduction of low income relief provides some reduction in the tax burden of taxpayers with incomes below $10,000 (when compared with Table B), the flat-rate has risen and taxpayers in general have far fewer deductions than under the current system. Furthermore, the flat-rate tax still shows up as regressive. It is this paradox that makes flat-rate tax systems so seductively simple.

For each change made or exemption added to increase the progressivity of the flat-rate tax, the tax base is correspondingly reduced and the average rate is raised. Also, the more changes or exceptions that are made, the more the flat tax begins to resemble the complexities of the current system.

Deciding on exemptions

The next major issue in the flat-rate tax debate is: what exemptions or income exclusions, if any, should be added to the system chosen? As is mentioned above, one of the biggest classes of exempt income might be some form of zero bracket amount so that low income tax payers are not penalized by a conversion. Obviously, the question of exemptions and deductions is also crucial to the determination of the average tax rate.

The list of exclusions, deductions, credits, and extra exemptions available to taxpayers now is long and detailed. They are worth billions in relief. The list includes: the deductability of mortgage interest and property taxes on owner-occupied homes, worth $36.3 billion; capital gains exclusions and deferrals, worth $30.3 billion; as well as exclusion of employer-paid benefits, worth $70 billion.

Many of the flat-rate tax proposals now before Congress would eliminate some or all of these deductions and exemptions, in an effort to broaden the income base. The loss of these tax incentives could put tremendous financial pressure on key sectors of the economy, especially the housing industry.

The basic proposals

Thus far, Congress has proposed three basic kinds of flat-rate, or simplified tax systems. The first type repeals all deductions, exclusions, and credits that apply to individuals and imposes a flat rate tax on all income. The second type replaces the current tax system for both individuals and corporations with a flat-rate tax on all income. The third set of proposals is really not a flat-rate tax at all but a graduated tax for individuals with a greatly expanded income base. Table D portrays the major Congressional flat-rate tax proposals, the deductions, exclusions, and exemptions they add or eliminate, and finally the flat-rate contemplated by each.

S. 2200, introduced by Senator Helms, and H.R. 6352, introduced by Rep. Paul, are representative of the first type of flat-rate tax proposals. They eliminate all deductions, exclusions, and credits for individuals and impose a 10 percent tax on all income. There would be no exemption for low income persons and a $2,000 deduction for each personal exemption would be allowed. H.R. 6352 replaces personal exemptions with a flat $10,000 exemption for the filing individual. These are by far the simplest and most regressive of all the proposals. The low marginal rate results from its tremendously expanded income base.

continued

Table D

Major Flat-Rate Bills

Bill	Deductions Eliminated	Credits or Deductions Retained	Flat Rate (percent)
Rep. Hansen (H.R. 4281)	capital gains, moving expenses, retirement savings	charitable contributions, medical, alimony, child care	14
Sen. Helms (S. 2200)	all	$2,000 personal exemption	10
Rep. Panetta (H.R. 6070)	all	$1,000 individual exemption, $200 dependent	19
Rep. Paul (H.R. 6352)	all	$10,000 individual exemption	10
Sen. Quayle (S. 2557)	most, but income taxed only once	$600 personal exemption	0-25
Sen. Bradley (S. 2817)	most, but mortgage int., state and local taxes retained	$1,500 exemption on a single return, $3,000 on a joint return	14-28

Representative Panetta's bill, H.R. 6070, is an example of the flat-rate system as it might be imposed on both individuals and corporations. Under this bill, a $1,000 exemption credit would be allowed for the tax payer and a spouse, $200 for each dependent, and $200 for each individual who is blind or over age 65. Remaining income would be taxed at 19 percent. All present deductions would be eliminated except for those related to production of income, economic losses, and alimony payments. Significantly, the capital gains deferral on the sale of a principal residence is removed. Corporations would also face a 19 percent rate. Deductions for business expenses would be retained, however.

Bradley-Gephardt bill

The flat-rate proposal receiving the most attention today is not really a flat-rate tax at all. Senator Bradley and Representative Gephardt have introduced a bill (S. 2817) that imposes a basic tax rate of 14 percent on all income. A progressive surtax of 6 to 14 percent would be imposed on all income above $40,000 for joint returns, and $25,000 for individual returns. The highest tax bracket would be for joint adjusted gross incomes above $65,000 which would pay a surcharge of 14 percent. Thus, the highest maximum effective tax rate would be 28 percent.

Bradley and Gephardt would retain several of the major itemized deductions including: home mortgage interest and property taxes, charitable contributions, state and local income taxes. Social Security and veterans benefits would retain their tax-exempt status. Some changes that would be made include: limitation of the deduction for medical expenses to those above 10 percent of AGI, and modification of the $125,000 exclusion of gain on the sale of a principal residence for those taxpayers over the age of 55.

The bill also contains a provision to raise the personal exemption from the current $1,000 to $1,500 and the zero bracket amount from $3,400 to $4,600. This approach, therefore, is not a flat-rate tax system at all, but a broadening of the current progressive tax structure.

Flat-rate tax systems and housing

There are several ways in which the adoption of a flat-rate tax system could affect the housing industry. If the system adopted eliminates the mortgage interest and property tax deductions for housing, this could very adversely affect home prices. A drop in home values will result in large losses to current homeowners and potential losses to homebuilders. It cannot be denied however, that millions of prospective homebuyers might welcome such a drop in home prices.

Another effect on housing is the lower marginal tax rates under a flat-rate structure. Lower marginal rates for higher income taxpayers could mean higher savings and investment rates by these individuals. Since housing depends on savings for its financial lifeblood, an increased rate of saving by high income households would be a beneficial effect from a flat-rate tax structure.

However, a lower marginal tax rate can affect home prices even if the deductability of mortgage interest and property taxes is preserved. Data collected by Anthony Downs and Michael Giliberto shows that during the late 1960s through the mid 1970s, the real after-tax mortgage rate paid by homeowners fell sharply as inflation and "bracket creep" encouraged homeownership.

As inflation pushed more and more taxpayers into higher tax brackets, any given amount of tax deduction became worth more to higher income households, thus making housing more and more attractive to these households. Much of this attractiveness is presumably reflected in current house prices. Conversely, any dramatic reduction in the marginal tax rate faced by potential homebuyers can reduce home prices and the number of prospective purchasers.

Another effect of flat-rate systems on the housing industry is in the treatment of capital gains. Currently, homeowners who sell their home defer tax on the gain realized from that sale providing that the proceeds are invested in the purchase of a new home within 24 months. If the homeowner is over age 55, he can realize a one-time-only exemption from taxation on the gain from the sale of his home, up to $125,000.

If capital gains are taxed at the rate of ordinary income in a flat-rate tax program, sales of existing homes might be adversely affected. Homeowners who otherwise might sell could be hesitant to do so if they faced a large tax bill on the gain from their sale. This would reduce the volume of home sales in both the new and resale market, further depressing an already depressed housing industry.

There is a great deal of uncertainty regarding the exact effect of tax rates on the incidence of homeownership. However, a review of even these three issues indicates the potential for some problems in the impact of flat-rate tax systems on the housing industry. At the very least the industry should explore the flat-rate tax issue very carefully before supporting any of the proposals that are now receiving much attention.

A long shot

The implementation of a flat-rate tax is, most experts agree, a long shot. Although the idea has the virtue of simplicity, there are a host of potential problems involved in its implementation. It is very likely that the flat-rate tax's broad backing could dissolve as partisan fights develop over the elimination of specific tax deductions. In spite of these problems, however, the movement pushing serious consideration of such a tax system is broad-based and deserving of serious consideration. □

MORTGAGE MARKET TRENDS

Prepared by MBA's Economics Department

November 12, 1982

While economists and administration officials are straining to find evidence of an economic recovery in the latest statistics, only the real estate sector is beginning to show solid signs of life. Like other interest rate-sensitive industries, real estate has borne the brunt of the past three years of recession and restrictive monetary policy. Residential mortgage activity is down more than 50 percent from the levels of 1979, the last good year for the housing market. Office and other commercial building and lending has been strong the past year, but overbuilding has become a problem, and a cyclic slowdown is almost a certainty before current projects can be absorbed.

Two recent developments are quite favorable for the real estate finance markets. First, the Federal Reserve has adopted a more moderate monetary policy, helping interest rates to fall sharply over the past three months. Second, the November elections results indicate a slight shift toward a more moderate, although still conservative economic policy. The Democrats gained 26 House seats, and many Republicans succeeded by separating themselves from the President. On the Banking Committees, Congressional moderates will have increased influence in the next session. While these changes will not affect the direction of fiscal policy, they are likely to force the administration to be a bit more flexible on housing programs and defense spending in order to protect the keystone of the Reagan program, the individual tax cuts. These developments will help housing in the short run by protecting FHA, GNMA, and other housing programs. They will help housing in the long run by paving the way for a steady and sustainable economic recovery in a lower interest rate environment.

The recent declines in mortgage yields already have generated increased activity in the real estate markets. Housing starts have been above a one million annual rate for four of the last five months. New house sales jumped 24 percent in September, and the inventory stands at an eleven year low, paving the way for a quick pickup in construction as sales rates grow. While existing home sales have not yet turned up, their decline stopped in September, when the latest data were published. Realtors report increased activity, and sales should follow.

FHA mortgage insurance applications are up sharply over the past few weeks, partially due to heavy refinancing activity. During the last two weeks of October, applications were received at an 853,000 annual rate. For the year, HUD estimates that 281,000 applications will be received, only 7 percent below the level of 1981. Today's announcement of a reduction in the FHA rate to 12 percent will help increase this activity.

What this means is that the real estate industry again is fulfilling its historical role of helping lead the economy out of recession. Weak retail sales figures show that consumers remain very cautious in the face of high unemployment and extensive layoffs. As the recovery continues, consumer spending, which represents two-thirds of the economy, will remain very weak. The approximately 5 percent of the economy that is housing and related purchases could well provide more stimulus than consumer spending until well into 1983.

During the next two or three months, interest rates should drift downward from one-half to one percentage point below early December levels. The commercial bank prime rate could reach as low as 10½ percent in the winter. Mortgage yields could be in the 11½ to 12½ percent area, low enough for most sellers to buy down to 10-11 percent.

Real gross national product probably is not growing this quarter, but will begin to expand once again in the first quarter of 1983, although only at about a 2 percent annual rate. This much slower than average economic recovery will mean that unemployment will come down from its current record high level only slowly. Business will be able to return idle productive capacity to production gradually, which means that business investment for new plants and equipment will not recover quickly. This pattern of recovery will mean that inflationary pressures will not build up in 1983, allowing the Federal Reserve to provide additional credit to the economy, fueling the slow recovery.

Dr. Warren Matthews
Senior Economist

MORTGAGE MARKET TRENDS—DECEMBER 1982

RESIDENTIAL STRUCTURES, BY UNIT TYPE
(Units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES						HOUSING STARTS					
	Actual			Seasonally Adjusted Annual Rate			Actual			Seasonally Adjusted Annual Rate		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1981												
JUN	95	66	29	963	622	302	104	80	24	1,021	768	253
JUL	85	61	24	913	625	288	100	78	22	1,047	790	257
AUG	75	52	23	865	582	283	86	63	22	934	675	259
SEP	81	49	32	850	533	317	85	64	20	920	708	216
OCT	66	44	23	722	482	240	86	58	28	864	590	274
NOV	54	35	19	723	476	247	64	47	17	863	651	212
DEC	57	35	22	789	544	245	60	40	21	899	635	264
1982												
JAN	47	29	19	832	528	304	48	34	14	895	668	227
FEB	50	32	18	795	509	286	51	37	14	924	642	282
MAR	79	51	28	851	541	310	79	59	20	941	697	244
APR	82	53	29	879	526	353	85	62	23	888	637	251
MAY	81	53	28	944	590	354	99	67	32	1,075	720	355
JUN	89	59	30	929	607	322	91	71	20	906	701	205
JUL	91	53	37	1,062	585	477	107	70	37	1,195	729	466
AUG	80	54	26	888	580	308	96	70	26	1,002	712	290
SEP	100	61	38	1,003	657	346	105	71	34	1,111	762	371
9 months												
1982	699	445	253				761	541	220			
1981	791	542	248				871	653	219			
1980	875	612	263				930	704	226			
1979	1,230	892	337				1,369	1,049	316			

VALUE OF NEW CONSTRUCTION PUT IN PLACE
(Dollars in millions)

Year and Month	Seasonally Adjusted Annual Rate			
	Total	1 Unit	2+ Units	Non-Res.
1981				
JUN	122,647	45,743	18,484	58,420
JUL	120,970	43,815	16,704	60,451
AUG	119,458	40,585	17,490	61,383
SEP	117,067	38,480	17,429	61,158
OCT	113,897	36,185	16,575	61,157
NOV	113,057	34,608	16,377	62,072
DEC	113,827	34,288	16,863	62,676
1982				
JAN	115,136	35,446	15,821	63,869
FEB	115,975	34,557	15,800	65,618
MAR	117,171	34,725	17,563	64,883
APR	113,782	34,368	15,198	64,216
MAY	115,344	34,388	16,593	64,363
JUN	116,809	34,698	15,060	67,051
JUL	115,489	35,269	16,174	64,046
AUG	115,354	35,198	16,875	63,281
SEP	116,834p	35,067p	17,306p	63,461p

HOUSE SALES
(Units in thousands)

Year and Month	EXISTING HOUSES[1]	NEW HOUSES		
		Sold	Available For Sale	Months Supply at Current Rate
1981				
JUN	249	38	313	8.3
JUL	239	36	306	8.5
AUG	216	34	300	8.8
SEP	184	27	298	11.2
OCT	173	29	290	10.1
NOV	141	27	278	10.5
DEC	128	29	272	9.4
1982				
JAN	114	27	273	10.2
FEB	131	28	267	9.4
MAR	176	35	268	7.6
APR	169	33	263	8.0
MAY	165	37	259	8.0
JUN	185	34	253	7.5
JUL	179	31	251	8.1
AUG	181	34	247	7.9
SEP	162p	38p	247p	6.6p
9 months				
1982	1,462	297		
1981	1,909	345		
1980	2,202	416		
1979	2,920	652		

RESIDENTIAL STRUCTURES, BY REGION
(units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES								STARTS							
	Actual				Seasonally Adjusted Annual Rate				Actual				Seasonally Adjusted Annual Rate			
	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West
1981																
JUN	12	14	42	27	111	136	440	276	11	18	51	23	99	155	540	227
JUL	11	12	41	21	114	117	460	222	16	17	44	23	151	170	493	233
AUG	11	10	36	18	115	108	430	212	11	14	42	18	107	151	465	211
SEPT	10	12	40	19	96	111	427	216	12	13	42	17	128	121	476	195
OCT	10	11	30	15	107	104	333	178	11	18	36	21	103	154	378	229
NOV	7	8	28	11	85	98	382	158	7	10	36	11	80	128	497	158
DEC	7	6	32	12	90	100	431	168	8	7	33	13	112	125	483	179
1982																
JAN	3	2	32	10	65	76	512	179	3	3	32	10	76	82	463	157
FEB	4	3	33	11	86	76	473	160	3	2	36	10	110	70	591	152
MAR	8	8	47	16	88	87	490	186	7	7	49	16	111	97	540	193
APR	9	10	46	17	97	105	506	171	9	14	47	15	106	158	470	154
MAY	10	13	41	17	110	145	488	201	12	16	54	18	126	148	612	189
JUN	10	12	46	20	105	118	499	207	10	18	44	19	93	157	462	194
JUL	9	12	45	24	101	140	555	266	11	15	62	18	99	161	743	192
AUG	13	10	42	17	113	106	485	184	12	16	49	16	112	166	543	181
SEP	10p	16p	53p	22p	121p	135p	552p	230p	16p	15p	57p	20p	152p	139p	627p	228p
9 months																
1982	76	86	385	154					83	106	430	142				
1981	86	105	393	207					88	128	459	192				
1980	87	125	390	226					94	147	462	227				
1979	128	231	488	372					129	279	581	376				

CONSTRUCTION STATUS
(units in thousands)

Year and Month	UNDER CONSTRUCTION			COMPLETIONS		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1981						
JUN	872	560	312	123	89	34
JUL	856	552	304	111	82	29
AUG	831	533	297	109	81	29
SEPT	800	513	287	108	81	27
OCT	767	488	279	117	80	37
NOV	732	465	267	92	66	26
DEC	682	427	255	105	75	30
1982						
JAN	657	413	244	72	48	24
FEB	644	407	237	63	41	22
MAR	646	412	234	73	50	23
APR	653	419	234	75	53	22
MAY	666	425	241	86	61	25
JUN	671	438	232	85	76	28
JUL	690	442	248	85	64	21
AUG	690	442	248	91p	66	25
SEP	711p	449p	262p	84p	63p	21
9 months						
1982				714	522	211
1981				945	703	243
1980				1,025	697	329
1979				1,331	977	356

INTEREST RATES AND YIELDS

Year and Month	1-4 UNIT MORTGAGES					APARTMENTS[3]	CONSTRUCTION LOANS[3] ALL TYPES	FNMA		GNMA Current Securities Yield[3]	SELECTED SECURITIES				SPREADS (Basis Points)	
	FHA Opinion Survey			FHLBB Survey				FMS Auction Yields on 4 mo. Commitments[4]			Aaa Utility New Issue	U.S. Gov't.		Prime Commercial Paper 90-119 Days	FHA New Minus Aaa Utility	GNMA minus 10-yr Gov't.
	FHA New[1]	Conventional		Conventional				FHA/VA	Conv.			10-yr	26-wk			
		New	Existing	New	Existing											
1981																
JUN	16.31	16.40	16.45	14.67	14.88	16.62		16.166	16.305	15.35	14.76	13.47	13.947	16.32	155	188
JUL	16.76	16.70	16.75	14.62	15.26	17.62		16.790	16.430	15.97	16.30	14.28	14.402	17.00	46	169
AUG	17.96	17.50	17.55	15.27	15.54	18.13	20.26	17.394	17.304	16.63	n.a.	14.94	15.548	17.23	n.a.	169
SEPT	18.55	18.30	18.35	15.37	15.83	19.13		19.003	19.100	17.33	17.21	15.32	15.057	16.06	134	201
OCT	17.43	18.05	18.05	15.65	16.01	18.87		18.180	18.610	16.89	16.94	15.15	14.013	14.85	49	232
NOV	15.98	16.95	17.00	16.38	16.38	16.87	19.46	16.709	17.250	15.09	15.56	13.39	11.530	12.16	31	170
DEC	16.43	17.00	17.00	15.89	16.02	17.38		16.630	16.931	15.38	15.20	13.72	11.471	12.12	123	166
1982																
JAN	17.38	17.30	17.30	15.25	15.92	18.13		17.890	17.330	16.22	15.68	14.59	12.930	13.09	170	163
FEB	17.10	17.20	17.20	15.12	15.73	17.38	17.86	17.993	17.912	16.24	15.93	14.43	13.709	14.53	117	181
MAR	16.41	16.80	16.85	15.67	15.65	16.88		17.265	17.064	15.83	15.26	13.86	12.621	13.80	115	197
APR	16.31	16.65	16.75	15.84	16.00	16.88		n.a.	16.678	15.56	15.83	13.87	12.861	14.06	48	169
MAY	16.19	16.50	16.55	15.89	16.11	16.88	17.80	16.267	16.310	15.26	15.22	13.62	12.220	13.42	97	164
JUN	16.73	16.75	16.80	15.40	15.56	17.62		17.216	16.700	15.89	15.92	14.30	12.310	13.96	81	159
JUL	16.29	16.50	16.55	15.70	15.52	17.13		17.199	16.820	15.54	15.61	13.95	12.236	12.94	68	159
AUG	14.61	15.40	15.45	15.71	15.63	15.62		15.780	15.740	14.31	13.95	13.06	10.105	10.15	66	125
SEP	14.03	15.05	15.05	14.99	15.30	15.37		n.a.	15.363	13.51	13.50	12.34	9.539	10.36	53	117

LONG-TERM MORTGAGE LOANS CLOSED
(Dollars in Millions)

Year and Month	BY TYPE OF INSTITUTION					BY TYPE OF UNIT, AND INSTITUTION														
						1-4 Units					5+ Units					Nonresidential				
	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.
1981																				
APR	11,081	2,220	4,749	3,044	1,068	8,294	2,250	4,210	1,789	45	756	270	234	147	105	2,591	260	305	1,108	918
MAY	12,249	2,190	4,961	4,160	938	8,737	2,320	4,453	1,922	42	724	270	183	216	55	3,568	380	325	2,022	841
JUN	12,845	2,230	5,367	4,231	1,017	10,021	2,570	4,767	2,640	44	721	90	259	244	128	2,753	220	341	1,347	845
JUL	11,313	2,390	4,528	3,648	747	8,899	2,480	4,006	2,371	42	680	200	220	133	55	2,356	260	302	1,144	650
AUG	10,360	2,640	3,843[r]	3,114	763	8,121	2,480	3,434	2,161	46	1,580	1,260	167	131	22	1,949	190	242	822	695
SEP	10,052	2,190	3,496	3,553	813	7,357	1,880	3,063	2,363	51	444	100	114	152	78	2,251	210	319	1,038	684
OCT	10,472	2,550	3,206	3,634	1,082	6,109	1,580	2,818	2,181	30	1,024	710	143	152	19	2,839	260	245	1,301	1,033
NOV	7,767	1,430	2,809	2,778	750	5,243	1,170	2,421	1,620	32	432	130	159	126	17	2,092	130	229	1,032	701
DEC	10,273	2,790	3,302	3,119	1,062	6,231	1,630	2,669	1,887	45	1,265	880	184	174	27	2,777	280	449	1,058	990
1982																				
JAN	7,593	1,780	2,410	2,471	780	4,678	1,250	1,975	1,440	16	718	350	168	168	26	2,197	180	267	863	738
FEB	8,558	2,420	2,600	2,966	596	4,989	1,230	2,097	1,620	42	1,509	1,030	246	178	54	2,060	160	257	1,168	500
MAR	9,586	2,130	3,160	3,465	795	6,398	1,860	2,626	1,872	39	523	130	207	129	51	2,665	140	327	1,464	705
APR	9,119	2,190	3,100	3,071	684	6,204	1,900	2,582	1,674	45	536	110	177	172	70	2,379	180	341	1,225	569
MAY	8,713	2,490	3,193	2,899	517	6,206	2,030	2,541	1,597	38	590	300	163	111	15	2,314	160	489	1,191	464
JUN	11,242	2,890	4,041	3,826	485	7,863	2,560	3,258	1,995	50	667	160	271	223	13	2,712	170	512	1,608	422
JUL	10,634	2,700	3,427	3,661	846	7,491	2,460	2,922	2,049	60	501	70	206	177	48	2,642	170	299	1,435	738
AUG	10,475	3,040	3,601	3,251	583	7,652	2,740	2,909	1,958	45	650	110	280	210	50	2,173	190	412	1,083	488

LONG-TERM COMMITMENT ACTIVITY
(Dollars in Millions)

Year and Month	OUTSTANDING					ISSUED DURING MONTH				
	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.
1981										
MAR	57,786	12,470	20,631	8,927	15,758	10,480	3,250	5,013	1,661	556
APR	56,271	10,340	21,720	8,749	15,462	10,973	3,030	5,433	1,658	852
MAY	57,868	11,220	22,109	9,524	15,015	11,723	3,240	5,232	2,751	500
JUN	54,757	10,240	21,449	8,438	14,630	9,994	3,120	4,325	1,717	832
JUL	54,885	11,650	20,686	8,371	14,178	8,861	3,040	3,598	1,739	484
AUG	53,343	11,380	19,741	8,605	13,617	7,728	3,130	3,250	1,035	313
SEP	51,166	9,540	18,654	9,515	13,457	8,049	1,920	2,751	2,521	857
OCT	45,638	7,080	17,897	8,045	12,636	6,491	2,190	2,716	1,233	352
NOV	44,283	6,320	17,416	8,319	12,228	6,238	2,200	2,507	1,167	364
DEC	44,867	7,390	16,887	9,130	11,460	7,413	3,350	2,823	940	300
1982										
JAN	44,154	7,720	16,653	8,925	10,850	6,855	2,570	2,261	1,731	293
FEB	43,174	7,570	16,529	8,586	10,489	6,926	2,530	2,844	1,127	425
MAR	46,557	9,400	16,664	9,572	10,921	9,310	3,440	3,347	1,559	964
APR	49,230	10,060	17,186	11,265	10,719	9,644	3,980	3,390	1,564	710
MAY	50,347	10,220	17,362	12,167	10,598	9,253	3,750	3,350	1,620	533
JUN	49,533	9,710	17,327	12,336	10,160	8,330	2,810	3,597	1,623	300
JUL	50,172	10,360	16,951	13,132	9,729	8,797	3,020	3,537	1,625	545
AUG	52,268	12,170	17,748	12,845	9,505	9,816	4,000	3,847	1,535	434

MORTGAGE INSURANCE
(Units in thousands, dollars in millions)

Year and Month	APPLICATIONS RECEIVED UNITS			INSURED							
				Total		FHA (203)		VA		Private	
	Total	FHA/VA	Private	Units	Amt.	Units	Amt.	Units	Amt.	Units	Amt.
1981											
MAR	94	60	34	53	2,627	14	560	13	706	26	1,361
APR	96	58	38	59	2,938	16	664	14	770	29	1,504
MAY	80	42	38	54	2,643	14	573	11	583	29	1,487
JUN	81	41	41	64	3,272	14	600	16	876	34	1,796
JUL	74	38	36	59	3,043	12	495	12	644	35	1,904
AUG	68	38	32	52	2,800	10	422	12	696	30	1,682
SEP	62	30	32	55	2,876	15	620	11	660	29	1,596
OCT	51	24	27	43	2,310	8	341	9	485	26	1,484
NOV	47	24	23	41	2,119	10	389	8	464	23	1,266
DEC	62	38	24	38	1,957	8	311	6	357	24	1,289
1982											
JAN	48	31	17	31	1,726	7	270	6	327	18	1,129
FEB	54	32	22	32	1,785	8	356	7	393	17	1,036
MAR	69	37	32	39	2,193	9	373	7	421	23	1,399
APR	63	34	29	35	1,976	8	322	6	374	21	1,280
MAY	67	31	36	43	2,222	8	335	6	328	29	1,559
JUN	83	40	43	50	2,743	9	408	8	443	33	1,892
JUL	84	38	46	52	2,687	9	375	9	482	34	1,830
AUG	82	36	46	54	2,997	8	352	10	573	36	2,072

SECONDARY MARKET ACTIVITY
(Dollars in Millions)

Year and Month	FNMA					FHLMC			GNMA	
	4-Month Commitments				12 Month Convert Standby	Comm.	Purc.	Sold	Pass-Through Securities	
	FHA/VA		Conventional							
	Bid	Accept	Bid	Accept					Applications	Issued
1981										
JAN	275	122	32	30	78	203	152	168	3,656	1,300
FEB	199	115	118	79	41	81	174	94	2,231	1,306
MAR	197	139	149	98	67	474	148	128	3,297	1,046
APR	175	147	127	92	22	118	125	97	2,962	1,404
MAY	282	252	281	156	69	130	480	421	4,296	1,245
JUN	298	265	307	224	204	293	139	94	4,380	1,382
JUL	405	354	306	238	201	865	242	238	2,050	1,589
AUG	602	352	624	252	113	308	101	44	2,339	959
SEP	400	133	359	120	0	365	393	249	8,106	1,184
OCT	82	37	43	27	0	1,834	290	244	571	739
NOV	105	41	149	63	0	2,011	416	598	1,298	795
DEC	81	34	84	48	0	203	1,140	1,156	1,729	1,304
1982										
JAN	51	31	32	12	0	3,280	1,629	1,628	1,543	902
FEB	51	23	29	14	0	565	1,228	1,115	1,789	960
MAR	57	33	65	32	0	2,523	1,481	1,564	2,223	1,335
APR	n.a.	n.a.	38	23	0	2,824	2,144	2,176	1,219	835
MAY	42	7	39	23	0	2,692	1,214	1,194	1,812	1,194
JUN	33	7	59	33	0	3,166	1,581	1,564	2,800	1,530
JUL	11	1	37	24	0	2,181	2,236	2,205	2,116	1,011
AUG	30	6	70	43	0	2,768	2,529	2,618	2,850	1,383

MORTGAGE BANKERS CONSTRUCTION AND LAND LOAN ACTIVITY
(Dollars in Millions)

Year and Month	DISBURSEMENTS DURING MONTH					OUTSTANDING COMMITMENTS TO BORROWERS			
	Construction				Land Loans				
	Total	1-4 Units	5+ Units	Non-res.		Total	1-4 Units	5+ Units	Non-res.
1981									
JAN	220	70	50	100	80	4,680	1,070	2,010	1,600
FEB	250	100	50	100	170	5,940	1,090	1,900	2,950
MAR	290	120	60	110	180	6,810	980	2,640	3,190
APR	390	130	80	180	100	5,200	920	1,410	2,870
MAY	260	120	50	90	90	4,500	910	2,310	1,280
JUN	220	90	50	80	120	3,640	900	1,560	1,180
JUL	360	170	60	130	150	3,920	900	1,860	1,160
AUG	270	110	60	100	100	5,720	850	1,880	2,990
SEP	310	130	70	110	110	3,890	890	1,630	1,370
OCT	280	100	50	130	90	5,780	920	1,200	3,660
NOV	240	90	50	100	110	3,570	630	1,500	1,440
DEC	280	120	70	90	90	3,870	770	1,430	1,670
1982									
JAN	230	60	40	130	110	3,630	630	1,270	1,730
FEB	280	90	50	140	230	3,600	490	1,360	1,750
MAR	240	120	30	90	120	3,910	590	1,530	1,800
APR	300	120	30	150	120	6,360	640	2,130	3,580
MAY	220	80	60	80	140	5,890	540	2,700	3,650
JUN	280	100	60	120	110	6,800	430	1780	4,590
JUL	220	80	50	90	40	8,030	420	1,820	5,790
AUG	200	100	30	70	50	4,390	800	1,510	2,080

n.a.-Not available; p-Preliminary
[r]From the National Association of Realtors' "Existing Home Sales" series.
[a]Reflects cumulative total through the latest month for each column.
[b]Secondary market gross yields.
[c]Federal Home Loan Mortgage Corp. Existing construction only.
[d]Federal Reserve's weighted average interest rate for Commercial Banks.
[e]Weighted average gross yields for accepted bids.
[f]Survey of three New York security dealers. Securities for immediate delivery.
[g]Mutual Savings Banks and Commercial Banks.

Sources: American Council of Life Insurance, Board of Governors of the Federal Reserve System, Bureau of the Census, Citicorp Real Estate Inc., Department of Housing and Urban Development, Federal Home Loan Bank Board, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Mortgage Bankers Association of America, National Association of Mutual Savings Banks, National Association of Realtors, Veterans Administration.

MORTGAGE BANKING ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED[1]

Year and Month[5]	SEASONALLY ADJUSTED				NOT SEASONALLY ADJUSTED								
						1-4 Units				5+ Units			
	Total[2]	1-4 Units	5+ Units	Non-Res.	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-[3] Res.
1980													
NOV	2,690	2,120	160	390	2,620	2,070	730	640	700	150	110	40	400
DEC	2,690	2,160	200	230	2,950	2,300	850	710	740	230	140	90	420
1981													
JAN	3,030	1,750	710	560	2,750	1,620	600	480	540	770	240	530	360
FEB	2,310	1,870	80	390	2,000	1,490	600	470	420	80	20	60	430
MAR	2,940	2,390	260	260	2,570	2,060	850	650	560	230	150	80	280
APR	3,190	2,640	250	270	2,780	2,250	900	660	690	270	30	240	260
MAY	3,230	2,480	480	390	2,970	2,320	860	650	810	270	160	110	380
JUN	2,920	2,510	80	290	2,880	2,570	800	630	1,140	90	10	80	220
JUL	2,870	2,270	180	300	2,940	2,480	720	600	1,160	200	140	60	260
AUG	3,290	2,120	1,300	240	3,930	2,480	740	630	1,110	1,260	20	1,240	190
SEP	1,890	1,640	60	210	2,190	1,880	480	390	1,010	100	40	60	210
OCT	2,210	1,310	1,140	270	2,550	1,580	450	330	800	710	0	710	260
NOV	1,560	1,350	130	100	1,500	1,270	360	290	620	130	20	110	100
DEC	2,530	1,500	780	140	2,790	1,630	560	380	690	880	0	880	280
1982													
JAN	1,980	1,400	310	270	1,780	1,250	390	330	530	350	150	200	180
FEB	2,840	1,570	1,010	150	2,420	1,230	430	270	530	1,030	890	140	160
MAR	2,420	2,130	150	140	2,130	1,860	570	320	970	130	40	90	140
APR	2,470	2,200	110	170	2,190	1,900	560	340	1,000	110	10	100	180
MAY	2,800	2,220	530	190	2,490	2,030	650	420	960	300	120	180	160
JUN	2,910	2,500	140	210	2,890	2,560	810	550	1,200	160	130	30	170
JUL	2,630	2,180	70	210	2,700	2,460	760	520	1,180	70	70	0	170
AUG	2,540	2,390	110	240	3,040	2,740	960	620	1,160	110	20	90	190
Year-to-date													
1982					16,500	13,200	4,170	2,750	6,280	2,140	1,400	740	1,160
1981					18,890	14,790	5,330	4,140	5,320	1,910	750	1,160	2,190
1980					21,110	16,700	6,320	5,240	5,140	1,460	500	960	2,950
1979					22,550	18,290	6,260	5,960	6,070	1,490	490	1,000	2,770

COMMITMENT ACTIVITY: LONG-TERM MORTGAGE LOANS

Year and Month[5]	COMMITMENTS DURING MONTH								OUTSTANDING COMMITMENTS END OF MONTH					
	To Borrowers				From Investors				To Borrowers			From Investors		
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1980														
NOV	2,770	1,700	850	220	3,780	2,400	880	500	6,590	960	1,360	7,390	1,890	2,270
DEC	2,880	1,860	410	610	3,760	2,000	560	1,200	6,000	760	1,440	6,560	1,340	2,500
1981														
JAN	5,170	4,700	280	190	2,360	1,900	300	160	9,120	970	1,210	6,110	1,910	2,280
FEB	2,880	2,460	190	230	4,180	3,530	290	360	9,110	610	1,200	6,310	1,390	1,890
MAR	3,250	2,790	290	170	5,220	3,190	570	1,460	7,890	1,020	1,190	7,580	2,430	2,460
APR	3,030	2,480	90	460	2,950	2,220	150	580	7,650	560	1,220	7,220	1,160	1,960
MAY	3,240	2,750	290	200	6,420	4,740	600	1,080	7,690	1,110	980	6,900	2,290	2,030
JUN	3,120	2,540	110	470	3,200	2,540	240	420	7,230	650	990	6,930	1,300	2,010
JUL	3,040	2,600	110	330	4,380	3,740	140	500	7,360	1,230	1,140	7,220	2,200	2,230
AUG	3,130	2,660	20	450	2,550	2,040	80	430	7,430	1,090	1,180	7,110	2,030	2,240
SEP	1,920	1,600	250	70	2,130	1,410	360	360	5,380	1,110	1,110	5,360	2,060	2,120
OCT	2,190	1,680	160	350	2,150	1,730	190	230	5,180	330	980	5,080	630	1,370
NOV	2,160	1,300	610	250	3,530	1,480	700	1,350	3,760	590	970	4,140	940	1,780
DEC	3,350	2,350	570	430	2,830	2,000	670	160	5,900	550	940	4,710	880	1,130
1982														
JAN	2,570	2,320	50	200	2,970	2,570	30	370	6,130	540	1,050	5,720	1,160	1,350
FEB	2,530	2,150	10	370	3,020	2,440	30	550	5,980	520	1,070	4,540	1,300	1,390
MAR	3,440	2,910	150	380	2,920	2,580	250	80	7,620	670	1,110	5,760	1,060	1,420
APR	3,980	2,220	730	1,030	5,370	3,330	840	1,200	7,340	900	1,820	7,230	1,570	2,140
MAY	3,750	2,430	660	660	3,940	2,540	750	650	7,830	1,140	1,250	6,900	1,990	1,430
JUN	2,810	2,580	10	220	3,170	2,660	150	360	7,520	360	1,050	7,150	930	1,260
JUL	3,090	2,560	100	430	4,380	3,640	160	580	7,950	720	1,690	7,880	1,100	1,950
AUG	4,000	3,450	350	200	5,520	4,930	400	190	10,250	890	1,030	8,930	1,300	1,120
Year-to-date														
1982	22,100	17,120	1,780	3,200	25,920	19,900	2,300	3,710						
1981	23,730	20,320	1,360	2,050	28,710	21,860	2,290	4,560						
1980	21,350	19,190	1,200	960	18,230	14,390	2,560	1,280						
1979	24,150	18,780	1,280	4,090	24,900	18,590	1,870	4,440						

Notes: [1]All dollar amounts are in millions.

[2]Total is seasonally adjusted separately from components. Total, therefore, may not equal sum of parts.

[3]Series labeled non-residential are also inclusive of farm data.

[4]Percent coverage equals outstanding commitments received from investors divided by the sum of outstanding end of month inventory and outstanding commitments issued to borrowers, all multiplied by 100.

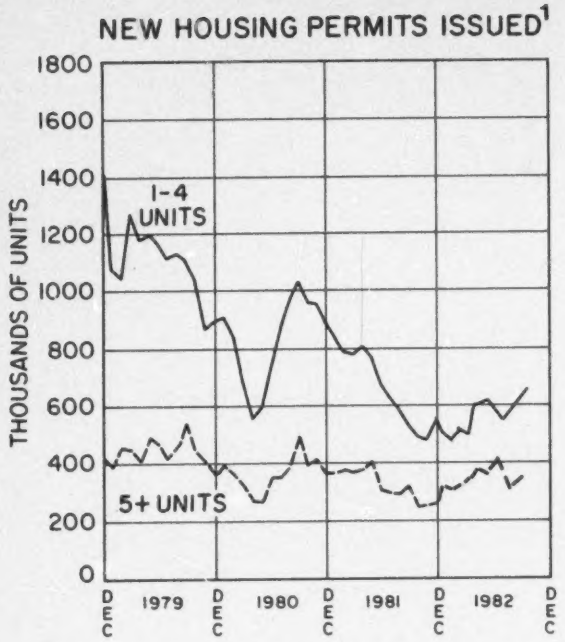
[5]Data for August is preliminary and subject to revision in subsequent issues.

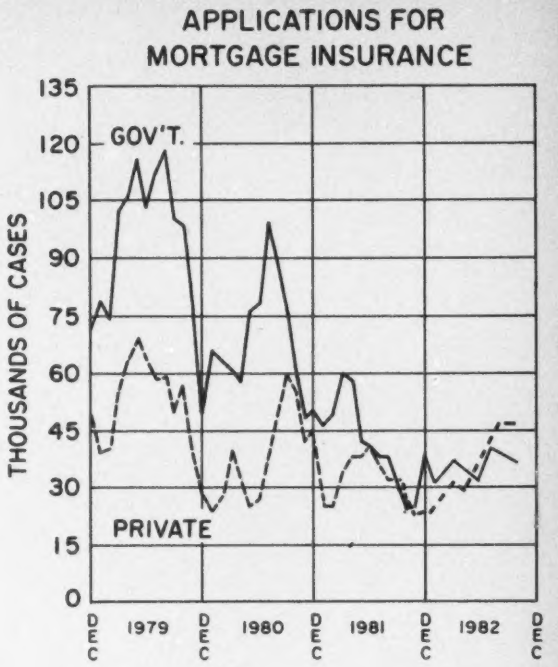
Year and Month[a]	OUTSTANDING END OF MONTH INVENTORY									COVERAGE[a]			SERVICING VOLUME		
		1-4 Units				5+ Units									
	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1980															
NOV	6,180	4,380	1,220	960	2,200	900	420	480	900	67	102	100	198,210	21,750	33,740
DEC	5,840	4,070	1,030	870	2,170	1,010	410	600	760	65	76	114	194,990	20,820	33,490
1981															
JAN	9,200	5,200	1,630	1,360	2,210	1,310	490	820	2,690	43	84	58	200,590	19,820	36,230
FEB	9,300	5,380	1,660	1,410	2,310	1,030	160	870	2,890	44	85	46	206,300	19,790	38,430
MAR	9,260	5,600	1,770	1,510	2,330	830	160	670	2,830	56	131	61	212,440	20,220	40,220
APR	9,860	5,990	1,950	1,580	2,460	1,020	160	860	2,850	53	73	48	217,840	20,350	39,330
MAY	10,450	6,510	2,040	1,750	2,720	910	160	750	3,030	49	113	51	217,660	19,900	39,070
JUN	10,430	6,560	2,090	1,700	2,760	850	160	690	3,020	50	87	50	219,820	20,330	39,370
JUL	10,230	6,380	2,050	1,680	2,650	1,000	160	840	2,850	53	99	56	229,870	21,710	42,720
AUG	11,100	6,540	2,100	1,670	2,770	990	150	840	3,570	51	98	47	228,510	22,610	43,420
SEP	10,580	6,030	1,870	1,580	2,580	810	190	620	3,740	47	107	44	198,150	19,600	38,870
OCT	12,640	5,940	1,890	1,490	2,560	1,030	290	740	5,670	46	46	21	210,350	19,380	42,790
NOV	9,810	5,450	1,720	1,360	2,370	1,030	290	740	3,330	45	58	42	196,060	21,110	35,620
DEC	9,610	5,390	1,670	1,300	2,420	930	260	670	3,290	42	59	27	227,060	24,100	39,530
1982															
JAN	5,320	3,450	690	500	2,260	750	200	550	1,120	60	90	62	229,420	24,740	34,760
FEB	5,370	3,040	590	460	1,990	1,040	390	650	1,010	50	83	67	227,330	23,310	34,640
MAR	6,140	3,830	790	490	2,550	1,010	20	990	1,310	50	63	59	238,990	27,350	32,820
APR	6,830	3,810	800	540	2,470	1,230	20	1,210	1,780	65	74	59	243,550	25,950	33,800
MAY	6,540	3,790	790	550	2,450	1,690	10	1,680	1,060	59	70	62	246,640	26,190	36,430
JUN	4,270	3,510	910	610	1,990	470	10	460	290	65	112	94	255,790	26,790	36,350
JUL		4,040	950	740	2,350	1,790	200	1,590	1,760	66	44	57	248,620	21,050	41,680
AUG		4,570	1,170	720	2,680	1,830	210	1,620	1,180	60	48	51	274,190	23,440	41,630

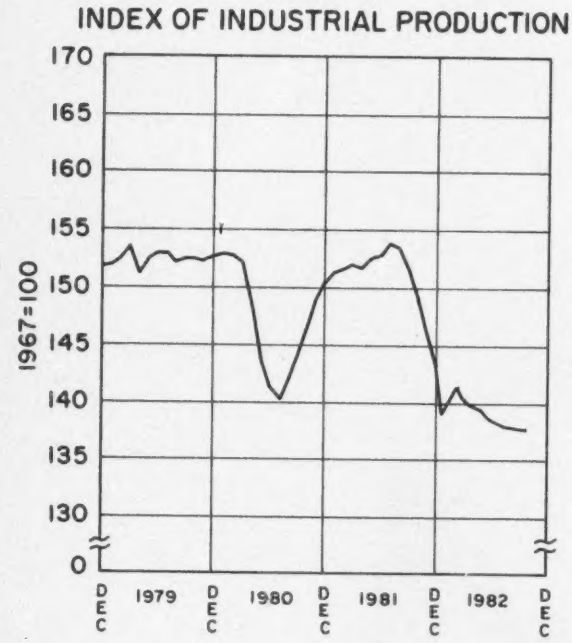
CONSTRUCTION AND LAND LOAN ACTIVITY

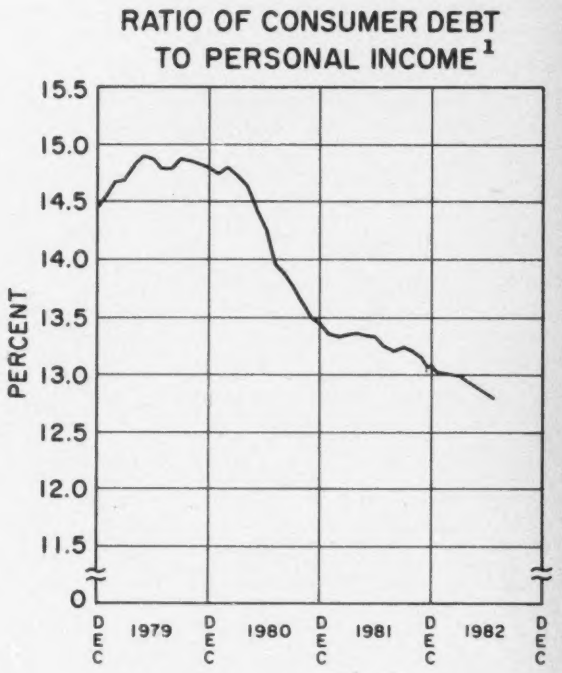
Year and Month[a]	DISBURSEMENTS DURING MONTH					CONSTRUCTION LOANS CLOSED				END OF MONTH INVENTORY				
	Total	1-4 Units	5+ Units	Non-Res.	Land Loans	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Land Loans
1980														
NOV	290	90	120	80	70	600	450	60	90	2,800	780	810	1,210	780
DEC	280	90	80	110	210	1,220	370	180	670	2,830	760	840	1,230	860
1981														
JAN	220	70	50	100	80	530	380	40	110	2,690	930	710	1,050	880
FEB	250	100	50	100	170	650	420	110	120	3,170	1,030	720	1,420	1,030
MAR	290	120	60	110	180	560	380	70	110	3,130	990	730	1,410	980
APR	390	130	80	180	100	800	640	50	110	3,020	960	690	1,370	960
MAY	260	120	50	90	90	520	330	110	80	2,630	960	640	1,030	950
JUN	220	90	50	80	120	620	450	50	120	2,510	900	630	980	880
JUL	360	170	60	130	150	520	380	30	110	3,040	1,080	780	1,180	1,000
AUG	270	110	60	100	100	470	320	30	120	3,550	1,040	860	1,650	990
SEP	310	130	70	110	110	460	280	60	120	3,140	1,100	820	1,220	900
OCT	280	100	50	130	90	1,170	880	50	240	3,340	1,030	710	1,600	1,160
NOV	290	110	60	120	100	330	320	0	10	2,980	940	800	1,240	970
DEC	280	120	70	90	110	1,820	1,820	0	0	3,140	950	850	1,340	1,180
1982														
JAN	230	60	40	130	110	160	150	0	10	2,880	820	690	1,370	1,270
FEB	280	90	50	140	230	770	760	0	10	3,070	840	770	1,460	1,450
MAR	240	120	30	90	120	570	560	0	10	2,880	840	690	1,360	1,240
APR	300	120	30	150	120	600	600	0	0	2,820	820	710	1,300	1,360
MAY	220	80	60	80	140	260	250	0	10	2,860	750	740	1,370	1,230
JUN	280	100	60	120	110	210	190	10	10	3,650	740	890	2,020	1,080
JUL	220	80	50	90	40	190	170	10	10	3,450	730	870	1,850	450
AUG	200	100	30	70	50	290	270	10	10	2,900	760	810	1,330	480

Year and Month[a]	COMMITMENTS TO BORROWERS: LAND AND CONSTRUCTION LOANS							NOTES PAYABLE			
	Issued During Month				End of Month Balances				End of Month Balances		
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Total	Comm. Paper	To Parent	To Others
1980												
NOV	970	230	590	150	5,650	960	2,240	2,450	11,360	2,180	4,060	5,120
DEC	1,360	290	500	570	5,040	900	1,620	2,520	10,110	1,960	3,710	4,440
1981												
JAN	950	180	410	360	4,680	1,070	2,010	1,600	9,020	2,090	3,290	3,640
FEB	1,510	290	440	780	5,940	1,090	1,900	2,950	9,430	2,050	3,470	3,910
MAR	1,430	340	380	710	6,810	980	2,640	3,190	9,670	1,960	3,580	4,130
APR	1,300	420	230	650	5,200	920	1,410	2,870	9,690	1,840	3,430	4,420
MAY	1,260	340	470	450	4,500	910	2,310	1,280	9,810	1,970	3,300	4,540
JUN	750	290	260	200	3,640	900	1,560	1,180	10,150	1,890	3,460	4,800
JUL	930	350	210	370	3,920	900	1,860	1,160	10,570	1,900	3,840	4,830
AUG	1,110	340	170	600	5,720	850	1,880	2,990	10,790	1,860	4,420	4,510
SEP	1,010	210	320	480	3,890	890	1,630	1,370	9,220	1,830	3,460	3,930
OCT	990	340	30	620	5,780	920	1,200	3,660	8,690	1,730	2,920	4,040
NOV	1,210	350	530	330	3,730	750	1,520	1,460	8,590	1,330	3,430	3,830
DEC	1,320	420	500	400	3,870	770	1,430	1,670	9,100	880	3,830	4,390
1982												
JAN	1,380	550	420	410	3,630	630	1,270	1,730	9,170	900	4,000	4,270
FEB	760	180	220	360	3,600	490	1,360	1,750	9,500	950	3,760	4,790
MAR	1,300	560	190	550	3,910	590	1,530	1,800	10,090	1,090	4,900	4,100
APR	1,620	450	650	520	6,360	640	2,130	3,580	11,260	730	4,380	6,140
MAY	1,510	250	810	450	5,890	540	2,700	2,650	10,500	860	3,910	5,730
JUN	750	270	250	230	6,800	430	1,780	4,590	12,650	840	4,860	6,950
JUL	1,040	190	330	520	8,910	580	2,240	6,090	10,530	1,340	4,150	5,040
AUG	970	390	350	230	4,390	800	1,510	2,080	11,800	1,160	4,460	6,160









[1] Seasonally Adjusted Annual Rate.

Sources: Federal Reserve Board, Commerce Department.

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MORTGAGE BANKING

JANUARY 1983

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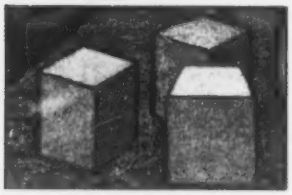

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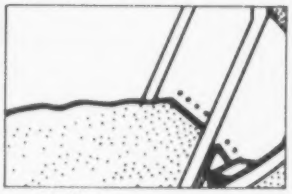

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MORTGAGE MARKET TRENDS

Prepared by MBA's Economics Department

December 15, 1982

Although 1981 and 1982 certainly were difficult years for the housing industry, partly as a result of the high interest rates and the declining profits of the thrifts, these two years propelled mortgage banking to the forefront of the housing finance business. As recently as 1979, residential loan sales as a percentage of residential loan originations were only about 40 percent. For the first three quarters of 1982, sales of 1- to-4 unit residential loans were 120 percent of originations. These data also show that the secondary market has the ability to handle more than just new originations. Obviously some of the increase in loan sales is accounted for by the old loan "swap" programs of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. Yet even when the data are adjusted to net out all loan purchases by federal credit agencies, loan sales still comprise over 80 percent of residential loan originations, a dramatic increase from 1979. Mortgage banking has more than come of age, it is becoming the predominate supplier of residential mortgage loans.

Recently released data on mortgage bankers' performance in 1981 confirm this trend. Although total residential origination volume for all lenders declined 19 percent in 1981, mortgage bankers increased their share of total residential lending to over 26 percent, up from 23.5 percent in 1980. In the same period, originations of residential loans by savings and loans dropped to 41 percent from 45 percent the year before. In the critical area of 1- to-4 unit residential loans, the movement is even more dramatic. In 1980, according to MBA data, savings and loan associations originated about 47 percent of these loans while mortgage bankers captured 24 percent of this market.

In 1981 however, associations originated only 43 percent of all 1- to-4 unit residential loans while mortgage bankers increased their share of this market to 26.5 percent. This marks the largest share of 1- to-4 unit loans originated by mortgage bankers since MBA began publishing these statistics in 1971. Even this figure understates the true growth of mortgage banking because many savings and loan associations, savings banks, and commercial banks have adopted the origination and sale of residential loans as a way of doing business.

One of the reasons mortgage banking is becoming widespread is because it is both a profitable and flexible way of conducting real estate lending operations. MBA's 1981 *Financial Statements and Operating Ratios* reveals that in sharp contrast to other segments of the economy, mortgage bankers were able to control their costs as the deep recession shrank their market. This kind of flexibility allowed the industry to increase return on assets by 19 percent and profit margin by 7 percent in 1981. It is likely that similar results will be reported for 1982 when the data become available. This leaves mortgage banking firms and other lenders that employ the mortgage banking function well poised to take advantage of the improving housing market expected in 1983 and 1984.

Mortgage banking's success depends upon a well-functioning national secondary market for mortgage loans. The efficient operations of FNMA and FHLMC as investors and of GNMA as the guarantor of its mortgage-backed securities will be critically important to this success. The coming real estate recovery will provide for the evolution of private sector counterparts to the highly successful government programs that have proved to be so valuable in creating a nation of homeowners. Just as the conventional 30-year mortgage emerged after FHA paved the way, the conventional MBS will takes its place in real estate finance in this decade based on the constructive GNMA experience.

Peter E. Brereton
Assistant Economist

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MORTGAGE MARKET TRENDS—JANUARY 1983

RESIDENTIAL STRUCTURES, BY UNIT TYPE
(Units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES						HOUSING STARTS					
	Actual			Seasonally Adjusted Annual Rate			Actual			Seasonally Adjusted Annual Rate		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1981												
JUL	85	61	24	913	625	288	100	78	22	1,047	790	257
AUG	75	52	23	865	582	283	86	63	22	934	675	259
SEP	81	49	32	850	533	317	85	64	20	920	708	216
OCT	66	44	23	722	482	240	86	58	28	864	590	274
NOV	54	35	19	723	476	247	64	47	17	863	651	212
DEC	57	35	22	789	544	245	60	40	21	899	635	264
1982												
JAN	47	29	19	832	528	304	48	34	14	895	668	227
FEB	50	32	18	795	509	286	51	37	14	924	642	282
MAR	79	51	28	851	541	310	79	59	20	941	697	244
APR	82	53	29	879	526	353	85	62	23	888	637	251
MAY	81	53	28	944	590	354	99	67	32	1,075	720	355
JUN	89	59	30	929	607	322	91	71	20	906	701	205
JUL	91	53	37	1,062	585	477	107	70	37	1,195	729	466
AUG	80	54	26	888	580	308	96	70	26	1,002	712	290
SEP	100	61	39	1,003	657	346	105	71	34	1,111	762	349
OCT	101p	62p	38p	1,181p	726p	455p	111p	72p	39p	1,122p	751p	371p
10 months												
1982	800	507	292				872	613	259			
1981	858	586	278				957	712	245			
1980	987	695	292				1,082	815	267			
1979	1,371	990	381				1,537	1,172	365			

VALUE OF NEW CONSTRUCTION PUT IN PLACE
(Dollars in millions)

Year and Month	Seasonally Adjusted Annual Rate			
	Total	1 Unit	2+ Units	Non-Res.
1981				
JUL	120,970	43,815	16,704	60,451
AUG	119,458	40,585	17,490	61,383
SEP	117,067	38,480	17,429	61,158
OCT	113,897	36,185	16,575	61,157
NOV	113,057	34,608	16,377	62,072
DEC	113,827	34,288	16,863	62,676
1982				
JAN	115,136	35,446	15,821	63,869
FEB	115,975	34,557	15,800	65,618
MAR	117,171	34,725	17,563	64,883
APR	113,782	34,368	15,198	64,216
MAY	115,344	34,388	16,593	64,363
JUN	116,809	34,698	15,060	67,051
JUL	115,489	35,269	16,174	64,046
AUG	115,354	35,198	16,875	63,281
SEP	118,346	35,423	17,560	65,363
OCT	118,031	35,539	17,334	65,158

HOUSE SALES
(Units in thousands)

Year and Month	EXISTING HOUSES[1]	NEW HOUSES		
		Sold	Available For Sale	Months Supply at Current Rate
1981				
JUL	239	36	306	8.5
AUG	216	34	300	8.8
SEP	184	27	298	11.2
OCT	173	29	290	10.1
NOV	141	27	278	10.5
DEC	128	29	272	9.4
1982				
JAN	114	27	273	10.2
FEB	131	28	267	9.4
MAR	176	35	268	7.6
APR	169	33	263	8.0
MAY	165	37	259	8.0
JUN	185	34	253	7.5
JUL	179	31	251	8.1
AUG	181	34	247	7.9
SEP	163	40	248	6.8
OCT	167p	40p	243	6.1
10 months				
1982	1,630	339		
1981	2,077	374		
1980	2,484	464		
1979	3,249	644		

RESIDENTIAL STRUCTURES, BY REGION
(units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES								STARTS							
	Actual				Seasonally Adjusted Annual Rate				Actual				Seasonally Adjusted Annual Rate			
	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West
1981																
JUL	11	12	41	21	114	117	460	222	16	17	44	23	151	170	493	233
AUG	11	10	36	18	115	108	430	212	11	14	42	18	107	151	465	211
SEPT	10	12	40	19	96	111	427	216	12	13	42	17	128	121	476	195
OCT	10	11	30	15	107	104	333	178	11	18	36	21	103	154	378	229
NOV	7	8	28	11	85	98	382	158	7	10	36	11	80	128	497	158
DEC	7	6	32	12	90	100	431	168	8	7	33	13	112	125	483	179
1982																
JAN	3	2	32	10	65	76	512	179	3	3	32	10	76	82	463	157
FEB	4	3	33	11	86	76	473	160	3	2	36	10	110	70	591	152
MAR	8	8	47	16	88	87	490	186	7	7	49	16	111	97	540	193
APR	9	10	46	17	97	105	506	171	9	14	47	15	106	158	470	154
MAY	10	13	41	17	110	145	488	201	12	16	54	18	126	148	612	189
JUN	10	12	46	20	105	118	499	207	10	18	44	19	93	157	462	194
JUL	9	12	45	24	101	140	555	266	11	15	62	18	99	161	743	192
AUG	13	10	42	17	113	106	485	184	12	16	49	16	112	166	543	181
SEP	12	15	51	21	114	131	530	228	16	15	54	20	137	116	514	223
OCT	13p	15p	52p	21p	136p	145p	643p	257p	11p	20p	58p	22p	92p	135p	538p	243p
10 months																
1982	91	100	435	174					94	126	485	164				
1981	97	118	421	222					98	148	494	212				
1980	99	157	467	266					105	182	542	255				
1979	141	259	527	407					150	277	660	415				

CONSTRUCTION STATUS
(units in thousands)

Year and Month	UNDER CONSTRUCTION			COMPLETIONS		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1981						
JUL	856	552	304	111	82	29
AUG	831	533	297	109	81	29
SEPT	800	513	287	108	81	27
OCT	767	488	279	117	80	37
NOV	732	465	267	92	66	26
DEC	682	427	255	105	75	30
1982						
JAN	657	413	244	72	48	24
FEB	644	407	237	63	41	22
MAR	646	412	234	73	50	23
APR	653	419	234	75	53	22
MAY	666	425	241	86	61	25
JUN	671	438	232	85	76	28
JUL	690	442	248	85	64	21
AUG	690	442	248	91	66	25
SEP	713	450	263	84	63	21
OCT	721p	451p	270p	102p	71p	31p
10 months						
1982				816	593	242
1981				1,062	782	281
1980				1,256	890	366
1979				1,531	1,160	371

INTEREST RATES AND YIELDS

Year and Month	1-4 UNIT MORTGAGES					APARTMENTS[3]	CONSTRUCTION LOANS[3] ALL TYPES	FNMA		GNMA Current Securities Yield[4]	SELECTED SECURITIES				SPREADS (Basis Points)	
	FHA Opinion Survey			FHLBB Survey				FMS Auction Yields on 4 mo. Commitments[2]			Aaa Utility New Issue	U.S. Gov't.		Prime Commercial Paper 90-119 Days	FHA New Minus Aaa Utility	GNMA minus 10-yr Gov't.
	FHA New[1]	Conventional		Conventional				FHA/VA	Conv.			10-yr	26-wk			
		New	Existing	New	Existing											
1981																
JUL	16.76	16.70	16.75	14.62	15.26	17.62		16.790	16.430	15.97	16.30	14.28	14.402	17.00	46	169
AUG	17.96	17.50	17.55	15.27	15.54	18.13	20.26	17.394	17.304	16.63	n.a.	14.94	15.548	17.23	n.a.	169
SEPT	18.55	18.30	18.35	15.37	15.83	19.13		19.003	19.100	17.33	17.21	15.32	15.057	16.06	134	201
OCT	17.43	18.05	18.05	15.65	16.01	18.87		18.180	18.610	16.89	16.94	15.15	14.013	14.85	49	232
NOV	15.98	16.95	17.00	16.38	16.38	16.87	19.46	16.709	17.250	15.09	15.56	13.39	11.530	12.16	31	170
DEC	16.43	17.00	17.00	15.89	16.02	17.38		16.630	16.931	15.38	15.20	13.72	11.471	12.12	123	166
1982																
JAN	17.38	17.30	17.30	15.25	15.92	18.13		17.890	17.330	16.22	15.68	14.59	12.930	13.09	170	163
FEB	17.10	17.20	17.20	15.12	15.73	17.38	17.86	17.993	17.912	16.24	15.93	14.43	13.709	14.53	117	181
MAR	16.41	16.80	16.85	15.67	15.65	16.88		17.265	17.064	15.83	15.26	13.86	12.621	13.80	115	197
APR	16.31	16.65	16.75	15.84	16.00	16.88		n.a.	16.678	15.56	15.83	13.87	12.861	14.06	48	169
MAY	16.19	16.50	16.55	15.89	16.11	16.88	17.80	16.267	16.310	15.26	15.22	13.62	12.220	13.42	97	164
JUN	16.73	16.75	16.80	15.40	15.56	17.62		17.216	16.700	15.89	15.92	14.30	12.310	13.96	81	159
JUL	16.29	16.50	16.55	15.70	15.52	17.13		17.199	16.820	15.54	15.61	13.95	12.236	12.94	68	159
AUG	14.61	15.40	15.45	15.71	15.63	15.62	17.19	15.780	15.740	14.31	13.95	13.06	10.105	10.15	66	125
SEP	14.03	15.05	15.05	14.99	15.30	15.37		n.a.	15.363	13.51	13.50	12.34	9.539	10.36	53	117
OCT	12.99	13.95	13.95	14.41	14.95	14.13		n.a.	13.917	12.86	12.20	10.91	8.299	9.20	79	195

LONG-TERM MORTGAGE LOANS CLOSED

(Dollars in Millions)

Year and Month	BY TYPE OF INSTITUTION					BY TYPE OF UNIT, AND INSTITUTION													
						1-4 Units					5+ Units					Nonresidential				
	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.
1981																				
MAY	12,249	2,190	4,961	4,160	938	8,737	2,320	4,453	1,922	42	724	270	183	216	55	3,568	380	325	2,022	841
JUN	12,845	2,230	5,367	4,231	1,017	10,021	2,570	4,767	2,640	44	721	90	259	244	128	2,753	220	341	1,347	845
JUL	11,313	2,390	4,528	3,648	747	8,899	2,480	4,006	2,371	42	680	200	220	133	55	2,356	260	302	1,144	650
AUG	10,360	2,640	3,843	3,114	763	8,121	2,480	3,434	2,161	46	1,580	1,260	167	131	22	1,949	190	242	822	695
SEP	10,052	2,190	3,496	3,553	813	7,357	1,880	3,063	2,363	51	444	100	114	152	78	2,251	210	319	1,038	684
OCT	10,472	2,550	3,206	3,634	1,082	6,109	1,580	2,818	2,181	30	1,024	710	143	152	19	2,839	260	245	1,301	1,033
NOV	7,767	1,430	2,809	2,778	750	5,243	1,170	2,421	1,620	32	432	130	159	126	17	2,092	130	229	1,032	701
DEC	10,273	2,790	3,302	3,119	1,062	6,231	1,630	2,669	1,887	45	1,265	880	184	174	27	2,777	280	449	1,058	990
1982																				
JAN	7,593	1,780	2,410	2,471	780	4,678	1,250	1,975	1,440	16	718	350	168	168	26	2,197	180	267	863	738
FEB	8,558	2,420	2,600	2,966	596	4,989	1,230	2,097	1,620	42	1,509	1,030	246	178	54	2,060	160	257	1,168	500
MAR	9,586	2,130	3,160	3,465	795	6,398	1,860	2,626	1,872	39	523	130	207	129	51	2,665	140	327	1,464	705
APR	9,119	2,190	3,100	3,071	684	6,204	1,900	2,582	1,674	45	536	110	177	172	70	2,379	180	341	1,225	569
MAY	8,713	2,490	3,193	2,899	517	6,206	2,030	2,541	1,597	38	590	300	163	111	15	2,314	160	489	1,191	464
JUN	11,242	2,890	4,041	3,826	485	7,863	2,560	3,258	1,995	50	667	160	271	223	13	2,712	170	512	1,608	422
JUL	10,634	2,700	3,427	3,661	846	7,491	2,460	2,922	2,049	60	501	70	206	177	48	2,642	170	299	1,435	738
AUG	10,438	3,040	3,601	3,251	546	7,652	2,740	2,909	1,958	45	613	110	280	210	13	2,173	190	412	1,083	488
SEP	10,887	2,700	3,858	3,855	474	7,961	2,510	3,130	2,276	45	623	80	295	226	22	2,303	110	433	1,353	407

LONG-TERM COMMITMENT ACTIVITY

(Dollars in Millions)

Year and Month	OUTSTANDING					ISSUED DURING MONTH				
	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.
1981										
APR	56,271	10,340	21,720	8,749	15,462	10,973	3,030	5,433	1,658	852
MAY	57,868	11,220	22,109	9,524	15,015	11,723	3,240	5,232	2,751	500
JUN	54,757	10,240	21,449	8,438	14,630	9,994	3,120	4,325	1,717	832
JUL	54,885	11,650	20,686	8,371	14,178	8,861	3,040	3,598	1,739	484
AUG	53,343	11,380	19,741	8,605	13,617	7,728	3,130	3,220	1,035	313
SEP	51,166	9,540	18,654	9,515	13,457	8,049	1,920	2,751	2,521	857
OCT	45,638	7,080	17,897	8,045	12,636	6,491	2,190	2,716	1,233	352
NOV	44,283	6,320	17,416	8,319	12,228	6,238	2,200	2,507	1,167	364
DEC	44,867	7,390	16,887	9,130	11,460	7,413	3,350	2,823	940	300
1982										
JAN	44,154	7,720	16,653	8,925	10,850	6,855	2,570	2,261	1,731	293
FEB	43,174	7,570	16,529	8,586	10,489	6,926	2,530	2,844	1,127	425
MAR	46,557	9,400	16,664	9,572	10,921	9,310	3,440	3,347	1,559	964
APR	49,230	10,060	17,186	11,265	10,719	9,644	3,980	3,390	1,564	710
MAY	50,347	10,220	17,362	12,167	10,598	9,253	3,750	3,350	1,620	533
JUN	49,533	9,710	17,327	12,336	10,160	8,330	2,810	3,597	1,623	300
JUL	50,172	10,360	16,951	13,132	9,729	8,867	3,090	3,537	1,625	545
AUG	52,268	12,170	17,748	12,845	9,505	9,816	4,000	3,847	1,535	434
SEP	52,329	12,190	18,241	12,603	9,295	11,133	5,310	3,888	1,440	495

MORTGAGE INSURANCE

(Units in thousands, dollars in millions)

Year and Month	APPLICATIONS RECEIVED UNITS			INSURED							
		FHA/		Total		FHA (203)		VA		Private	
	Total	VA	Private	Units	Amt.	Units	Amt.	Units	Amt.	Units	Amt.
1981											
APR	96	58	38	59	2,938	16	664	14	770	29	1,504
MAY	80	42	38	54	2,643	14	573	11	583	29	1,487
JUN	81	41	41	64	3,272	14	600	16	876	34	1,796
JUL	74	38	36	59	3,043	12	495	12	644	35	1,904
AUG	68	38	32	52	2,800	10	422	12	696	30	1,682
SEP	62	30	32	55	2,876	15	620	11	660	29	1,596
OCT	51	24	27	43	2,310	8	341	9	485	26	1,484
NOV	47	24	23	41	2,119	10	389	8	464	23	1,266
DEC	62	38	24	38	1,957	8	311	6	357	24	1,289
1982											
JAN	48	31	17	31	1,726	7	270	6	327	18	1,129
FEB	54	32	22	32	1,785	8	356	7	393	17	1,036
MAR	69	37	32	39	2,193	9	373	7	421	23	1,399
APR	63	34	29	35	1,976	8	322	6	374	21	1,280
MAY	67	31	36	43	2,222	8	335	6	328	29	1,559
JUN	83	40	43	50	2,743	9	408	8	443	33	1,892
JUL	84	38	46	52	2,687	9	375	9	482	34	1,830
AUG	82	36	46	54	2,997	8	352	10	573	36	2,072
SEP	91	47	44	60	3,248	11	462	13	743	36	2,043

SECONDARY MARKET ACTIVITY

(Dollars in Millions)

Year and Month	FNMA					FHLMC			GNMA	
	4-Month Commitments				12 Month Convert Standby	Comm.	Purc.	Sold	Pass-Through Securities	
	FHA/VA		Conventional							
	Bid	Accept	Bid	Accept					Applications	Issued
1981										
FEB	199	115	118	79	41	81	174	94	2,231	1,306
MAR	197	139	149	98	67	474	148	128	3,297	1,046
APR	175	147	127	92	22	118	125	97	2,962	1,404
MAY	282	252	281	156	69	130	480	421	4,296	1,245
JUN	298	265	307	224	204	293	139	94	4,380	1,382
JUL	405	354	306	238	201	865	242	238	2,050	1,589
AUG	602	352	624	252	113	308	101	44	2,339	959
SEP	400	133	359	120	0	365	393	249	8,106	1,184
OCT	82	37	43	27	0	1,834	290	244	571	739
NOV	105	41	149	63	0	2,011	416	598	1,298	795
DEC	81	34	84	48	0	203	1,140	1,156	1,729	1,304
1982										
JAN	51	31	32	12	0	3,280	1,629	1,628	1,543	902
FEB	51	23	29	14	0	565	1,228	1,115	1,789	960
MAR	57	33	65	32	0	2,523	1,481	1,564	2,223	1,335
APR	n.a.	n.a.	38	23	0	2,824	2,144	2,176	1,219	835
MAY	42	7	39	23	0	2,692	1,214	1,194	1,812	1,194
JUN	33	7	59	33	0	3,166	1,581	1,564	2,800	1,530
JUL	11	1	37	24	0	2,181	2,236	2,205	2,116	1,011
AUG	30	6	70	43	0	2,768	2,529	2,618	2,850	1,383
SEP	17	0	28	9	0	2,892	1,798	1,924	16,429	1,521

MORTGAGE BANKERS CONSTRUCTION AND LAND LOAN ACTIVITY

(Dollars in Millions)

Year and Month	DISBURSEMENTS DURING MONTH					OUTSTANDING COMMITMENTS TO BORROWERS			
	Construction				Land Loans				
	Total	1-4 Units	5+ Units	Non-res.		Total	1-4 Units	5+ Units	Non-res.
FEB	250	100	50	100	170	5,940	1,090	1,900	2,950
MAR	290	120	60	110	180	6,810	980	2,640	3,190
APR	390	130	80	180	100	5,200	920	1,410	2,870
MAY	260	120	50	90	90	4,500	910	2,310	1,280
JUN	220	90	50	80	120	3,640	900	1,560	1,180
JUL	360	170	60	130	150	3,920	900	1,860	1,160
AUG	270	110	60	100	100	5,720	850	1,880	2,990
SEP	310	130	70	110	110	3,890	890	1,630	1,370
OCT	280	100	50	130	90	5,780	920	1,200	3,660
NOV	240	90	50	100	110	3,570	630	1,500	1,440
DEC	280	120	70	90	90	3,870	770	1,430	1,670
1982									
JAN	230	60	40	130	110	3,630	630	1,270	1,730
FEB	280	90	50	140	230	3,600	490	1,360	1,750
MAR	240	120	30	90	120	3,910	590	1,530	1,800
APR	300	120	30	150	120	6,360	640	2,130	3,580
MAY	220	80	60	80	140	5,890	540	2,700	3,650
JUN	280	100	60	120	110	6,800	430	1780	4,590
JUL	220	80	50	90	40	8,030	420	1,820	5,790
AUG	200	100	30	70	50	4,390	800	1,510	2,080
SEP	270	100	60	110	40	6,300	1,000	2,770	2,530

n.a.-Not available; p-Preliminary

[a]From the National Association of Realtors' "Existing Home Sales" series.

[b]Reflects cumulative total through the latest month for each column.

[c]Secondary market gross yields.

[d]Federal Home Loan Mortgage Corp. Existing construction only.

[e]Federal Reserve's weighted average interest rate for Commercial Banks.

[f]Weighted average gross yields for accepted bids.

[g]Survey of three New York security dealers. Securities for immediate delivery.

[h]Mutual Savings Banks and Commercial Banks.

Sources: American Council of Life Insurance, Board of Governors of the Federal Reserve System, Bureau of the Census, Citicorp Real Estate Inc., Department of Housing and Urban Development, Federal Home Loan Bank Board, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Mortgage Bankers Association of America, National Association of Mutual Savings Banks, National Association of Realtors, Veterans Administration.

MORTGAGE BANKING ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED[1]

Year and Month[2]	SEASONALLY ADJUSTED				NOT SEASONALLY ADJUSTED								
						1-4 Units				5+ Units			
	Total[3]	1-4 Units	5+ Units	Non-Res.	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-[3] Res.
1980													
DEC	2,690	2,160	200	230	2,950	2,300	850	710	740	230	140	90	420
1981													
JAN	3,030	1,750	710	560	2,750	1,620	600	480	540	770	240	530	360
FEB	2,310	1,870	80	390	2,000	1,490	600	470	420	80	20	60	430
MAR	2,940	2,390	260	260	2,570	2,060	850	650	560	230	150	80	280
APR	3,190	2,640	250	270	2,780	2,250	900	660	690	270	30	240	260
MAY	3,230	2,480	480	390	2,970	2,320	860	650	810	270	160	110	380
JUN	2,920	2,510	80	290	2,880	2,570	800	630	1,140	90	10	80	220
JUL	2,870	2,270	180	300	2,940	2,480	720	600	1,160	200	140	60	260
AUG	3,290	2,120	1,300	240	3,930	2,480	740	630	1,110	1,260	20	1,240	190
SEP	1,890	1,640	60	210	2,190	1,880	480	390	1,010	100	40	60	210
OCT	2,210	1,310	1,140	270	2,550	1,580	450	330	800	710	0	710	260
NOV	1,560	1,350	130	100	1,500	1,270	360	290	620	130	20	110	100
DEC	2,530	1,500	780	140	2,790	1,630	560	380	690	880	0	880	280
1982													
JAN	1,980	1,400	310	270	1,780	1,250	390	330	530	350	150	200	180
FEB	2,840	1,570	1,010	150	2,420	1,230	430	270	530	1,030	890	140	160
MAR	2,420	2,130	150	140	2,130	1,860	570	320	970	130	40	90	140
APR	2,470	2,200	110	170	2,190	1,900	560	340	1,000	110	10	100	180
MAY	2,800	2,220	530	190	2,490	2,030	650	420	960	300	120	180	160
JUN	2,910	2,500	140	210	2,890	2,560	810	550	1,200	160	130	30	170
JUL	2,630	2,180	70	210	2,700	2,460	760	520	1,180	70	70	0	170
AUG	2,540	2,390	110	240	3,040	2,740	960	620	1,160	110	20	90	190
SEP	2,320	2,190	50	110	2,700	2,510	810	670	1,030	80	20	60	110
Year-to-date													
1982					22,340	18,540	5,940	4,040	8,560	2,340	1,450	890	1,460
1981					25,010	19,150	6,550	5,160	7,440	3,270	810	2,460	2,590
1980					28,910	23,440	9,110	7,570	6,760	1,890	920	970	3,580
1979					30,700	24,790	8,760	8,330	7,700	2,170	640	1,530	3,740

COMMITMENT ACTIVITY: LONG-TERM MORTGAGE LOANS

Year and Month[2]	COMMITMENTS DURING MONTH								OUTSTANDING COMMITMENTS END OF MONTH					
	To Borrowers				From Investors				To Borrowers			From Investors		
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1980														
DEC	2,880	1,860	410	610	3,760	2,000	560	1,200	6,000	760	1,440	6,560	1,340	2,500
1981														
JAN	5,170	4,700	280	190	2,360	1,900	300	160	9,120	970	1,210	6,110	1,910	2,280
FEB	2,880	2,460	190	230	4,180	3,530	290	360	9,110	610	1,200	6,310	1,390	1,890
MAR	3,250	2,790	290	170	5,220	3,190	570	1,460	7,890	1,020	1,190	7,580	2,430	2,460
APR	3,030	2,480	90	460	2,950	2,220	150	580	7,650	560	1,220	7,220	1,160	1,960
MAY	3,240	2,750	290	200	6,420	4,740	600	1,080	7,690	1,110	980	6,900	2,290	2,030
JUN	3,120	2,540	110	470	3,200	2,540	240	420	7,230	650	990	6,930	1,300	2,010
JUL	3,040	2,600	110	330	4,380	3,740	140	500	7,360	1,230	1,140	7,220	2,200	2,230
AUG	3,130	2,660	20	450	2,550	2,040	80	430	7,430	1,090	1,180	7,110	2,030	2,240
SEP	1,920	1,600	250	70	2,130	1,410	360	360	5,380	1,110	1,110	5,360	2,060	2,120
OCT	2,190	1,680	160	350	2,150	1,730	190	230	5,180	330	980	5,080	630	1,370
NOV	2,160	1,300	610	250	3,530	1,480	700	1,350	3,760	590	970	4,140	940	1,780
DEC	3,350	2,350	570	430	2,830	2,000	670	160	5,900	550	940	4,710	880	1,130
1982														
JAN	2,570	2,320	50	200	2,970	2,570	30	370	6,130	540	1,050	5,720	1,160	1,350
FEB	2,530	2,150	10	370	3,020	2,440	30	550	5,980	520	1,070	4,540	1,300	1,390
MAR	3,440	2,910	150	380	2,920	2,580	250	80	7,620	670	1,110	5,760	1,060	1,420
APR	3,980	2,220	730	1,030	5,370	3,330	840	1,200	7,340	900	1,820	7,230	1,570	2,140
MAY	3,750	2,430	660	660	3,940	2,540	750	650	7,830	1,140	1,250	6,900	1,990	1,430
JUN	2,810	2,580	10	220	3,170	2,660	150	360	7,520	360	1,050	7,150	930	1,260
JUL	3,090	2,560	100	430	4,380	3,640	160	580	7,950	720	1,690	7,880	1,100	1,950
AUG	4,000	3,450	350	200	5,520	4,930	400	190	10,250	890	1,030	8,930	1,300	1,120
SEP	5,310	5,060	90	160	5,320	4,840	190	290	10,250	1,180	760	9,020	1,920	950
Year-to-date														
1982	31,480	25,680	2,150	3,650	36,610	29,530	2,800	4,270						
1981	28,780	24,580	1,630	2,570	33,390	25,310	2,730	5,350						
1980	27,620	24,220	1,830	1,570	24,890	19,590	3,140	2,160						
1979	32,750	25,370	2,130	5,250	34,530	25,710	3,030	5,790						

Notes: [1]All dollar amounts are in millions.

[2]Total is seasonally adjusted separately from components. Total, therefore, may not equal sum of parts.

[3]Series labeled non-residential are also inclusive of farm data.

[4]Percent coverage equals outstanding commitments received from investors divided by the sum of outstanding end of month inventory and outstanding commitments issued to borrowers, all multiplied by 100.

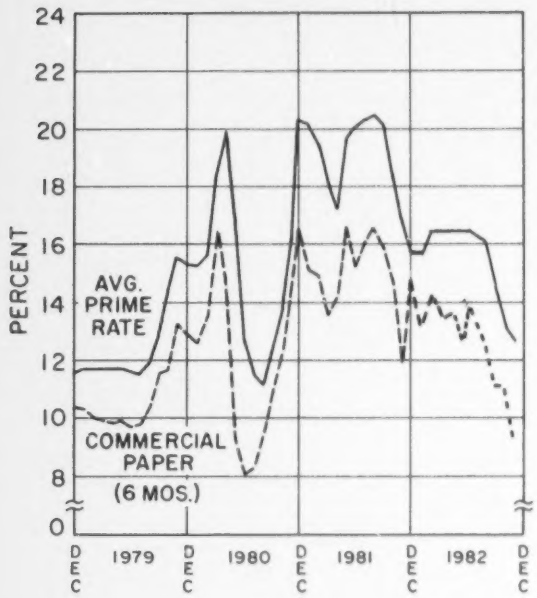
Year and Month[1]	OUTSTANDING END OF MONTH INVENTORY									COVERAGE[2]			SERVICING VOLUME		
		1-4 Units				5+ Units									
	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1980															
DEC	5,840	4,070	1,030	870	2,170	1,010	410	600	760	65	76	114	194,990	20,820	33,490
1981															
JAN	9,200	5,200	1,630	1,360	2,210	1,310	490	820	2,690	43	84	58	200,590	19,820	36,230
FEB	9,300	5,380	1,660	1,410	2,310	1,030	160	870	2,890	44	85	46	206,300	19,790	38,430
MAR	9,260	5,600	1,770	1,510	2,330	830	160	670	2,830	56	131	61	212,440	20,220	40,220
APR	9,860	5,990	1,950	1,580	2,460	1,020	160	860	2,850	53	73	48	217,840	20,350	39,330
MAY	10,450	6,510	2,040	1,750	2,720	910	160	750	3,030	49	113	51	217,660	19,900	39,070
JUN	10,430	6,560	2,090	1,700	2,760	850	160	690	3,020	50	87	50	219,820	20,330	39,370
JUL	10,230	6,380	2,050	1,680	2,650	1,000	160	840	2,850	53	99	56	229,870	21,710	42,720
AUG	11,100	6,540	2,100	1,670	2,770	990	150	840	3,570	51	98	47	228,510	22,610	43,420
SEP	10,580	6,030	1,870	1,580	2,580	810	190	620	3,740	47	107	44	198,150	19,600	38,870
OCT	12,640	5,940	1,890	1,490	2,560	1,030	290	740	5,670	46	46	21	210,350	19,380	42,790
NOV	9,810	5,450	1,720	1,360	2,370	1,030	290	740	3,330	45	58	42	196,060	21,110	35,620
DEC	9,610	5,390	1,670	1,300	2,420	930	260	670	3,290	42	59	27	227,060	24,100	39,530
1982															
JAN	5,320	3,450	690	500	2,260	750	200	550	1,120	60	90	62	229,420	24,740	34,760
FEB	5,370	3,040	590	460	1,990	1,040	390	650	1,010	50	83	67	227,330	23,310	34,640
MAR	6,140	3,930	790	490	2,550	1,010	20	990	1,310	50	63	59	238,990	27,350	32,820
APR	6,830	3,810	800	540	2,470	1,230	20	1,210	1,780	65	74	59	243,550	25,950	33,800
MAY	6,540	3,790	790	550	2,450	1,690	10	1,680	1,060	59	70	62	246,640	26,190	36,430
JUN	4,270	3,510	910	610	1,990	470	10	460	290	65	112	94	255,790	26,790	36,350
JUL	7,590	4,040	950	740	2,350	1,790	200	1,590	1,760	66	44	57	248,620	21,050	41,680
AUG	7,580	4,570	1,170	720	2,680	1,830	210	1,620	1,180	60	48	51	274,190	23,440	41,630
SEP	8,970	4,380	1,090	720	2,570	3,530	210	3,320	1,060	62	41	51	265,070	24,230	38,530

CONSTRUCTION AND LAND LOAN ACTIVITY

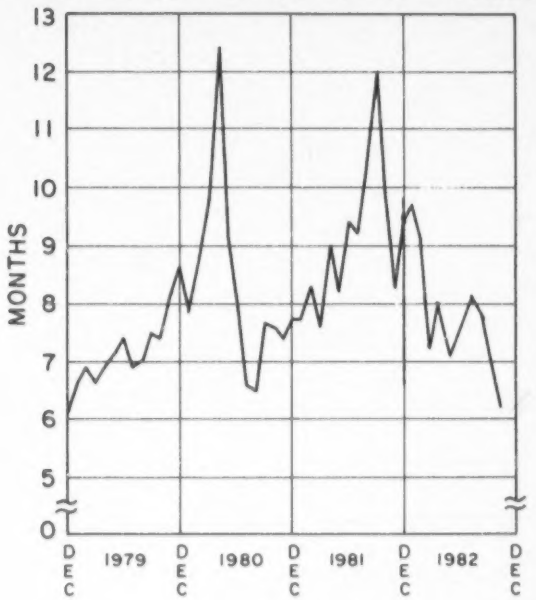
Year and Month[1]	DISBURSEMENTS DURING MONTH					CONSTRUCTION LOANS CLOSED				END OF MONTH INVENTORY				
	Total	1-4 Units	5+ Units	Non-Res.	Land Loans	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Land Loans
1980														
DEC	280	90	80	110	210	1,220	370	180	670	2,830	760	840	1,230	860
1981														
JAN	220	70	50	100	80	530	380	40	110	2,690	930	710	1,050	880
FEB	250	100	50	100	170	650	420	110	120	3,170	1,030	720	1,420	1,030
MAR	290	120	60	110	180	560	380	70	110	3,130	990	730	1,410	980
APR	390	130	80	180	100	800	640	50	110	3,020	960	690	1,370	960
MAY	260	120	50	90	90	520	330	110	80	2,630	960	640	1,030	950
JUN	220	90	50	80	120	620	450	50	120	2,510	900	630	980	880
JUL	360	170	60	130	150	520	380	30	110	3,040	1,080	780	1,180	1,000
AUG	270	110	60	100	100	470	320	30	120	3,550	1,040	860	1,650	990
SEP	310	130	70	110	110	460	280	60	120	3,140	1,100	820	1,220	900
OCT	280	100	50	130	90	1,170	880	50	240	3,340	1,030	710	1,600	1,160
NOV	290	110	60	120	100	330	320	0	10	2,980	940	800	1,240	970
DEC	280	120	70	90	110	1,820	1,820	0	0	3,140	950	850	1,340	1,180
1982														
JAN	230	60	40	130	110	160	150	0	10	2,880	820	690	1,370	1,270
FEB	280	90	50	140	230	770	760	0	10	3,070	840	770	1,460	1,450
MAR	240	120	30	90	120	570	560	0	10	2,880	840	690	1,360	1,240
APR	300	120	30	150	120	600	600	0	0	2,820	820	710	1,300	1,360
MAY	220	80	60	80	140	260	250	0	10	2,860	750	740	1,370	1,230
JUN	280	100	60	120	110	210	190	10	10	3,650	740	890	2,020	1,080
JUL	220	80	50	90	40	190	170	10	10	3,450	730	870	1,850	450
AUG	200	100	30	70	50	290	270	10	10	2,900	760	810	1,330	480
SEP	270	100	60	110	40	290	280	0	10	3,430	850	840	1,740	510

Year and Month[1]	COMMITMENTS TO BORROWERS: LAND AND CONSTRUCTION LOANS								NOTES PAYABLE			
	Issued During Month				End of Month Balances				End of Month Balances			
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Total	Comm. Paper	To Parent	To Others
1980												
DEC	1,360	290	500	570	5,040	900	1,620	2,520	10,110	1,960	3,710	4,440
1981												
JAN	950	180	410	360	4,680	1,070	2,010	1,600	9,920	2,090	3,290	3,640
FEB	1,510	290	440	780	5,940	1,090	1,900	2,950	9,430	2,050	3,470	3,910
MAR	1,430	340	380	710	6,810	980	2,640	3,190	9,670	1,960	3,580	4,130
APR	1,300	420	230	650	5,200	920	1,410	2,870	9,690	1,840	3,430	4,420
MAY	1,260	340	470	450	4,500	910	2,310	1,280	9,810	1,970	3,300	4,540
JUN	750	290	260	200	3,640	900	1,560	1,180	10,250	1,890	3,460	4,800
JUL	930	350	210	370	3,920	900	1,860	1,160	10,570	1,900	3,840	4,830
AUG	1,110	340	170	600	5,720	850	1,880	2,990	10,790	1,860	4,420	4,510
SEP	1,010	210	320	480	3,890	890	1,630	1,370	9,220	1,830	3,460	3,930
OCT	990	340	30	620	5,780	920	1,200	3,660	8,690	1,730	2,920	4,040
NOV	1,210	350	530	330	3,730	750	1,520	1,460	8,590	1,330	3,430	3,830
DEC	1,320	420	500	400	3,870	770	1,430	1,670	9,100	880	3,830	4,390
1982												
JAN	1,380	550	420	410	3,630	630	1,270	1,730	9,170	900	4,000	4,270
FEB	760	180	220	360	3,600	490	1,360	1,750	9,500	950	3,760	4,790
MAR	1,300	560	190	550	3,910	590	1,510	1,800	10,090	1,090	4,900	4,100
APR	1,620	470	650	520	6,360	640	2,130	3,580	11,260	730	4,380	6,140
MAY	1,510	250	810	450	5,890	540	2,700	2,650	10,500	860	3,910	5,730
JUN	750	270	250	230	6,800	430	1,780	4,590	12,650	840	4,860	6,950
JUL	1,040	190	330	520	8,910	580	2,240	6,090	10,530	1,340	4,150	5,040
AUG	970	390	350	230	4,390	800	1,510	2,080	11,800	1,160	4,480	6,160
SEP	870	290	430	150	6,300	1,000	2,770	2,530	10,670	1,530	4,590	4,550

SHORT-TERM RATES



MONTHS' SUPPLY OF NEW HOMES FOR SALE AT CURRENT SALES RATE



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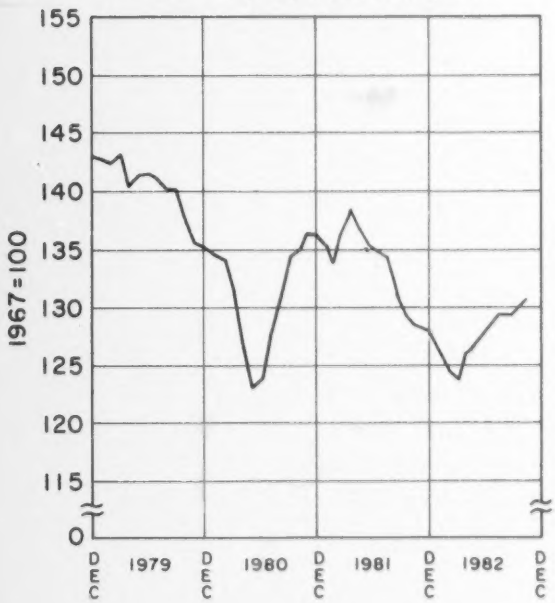

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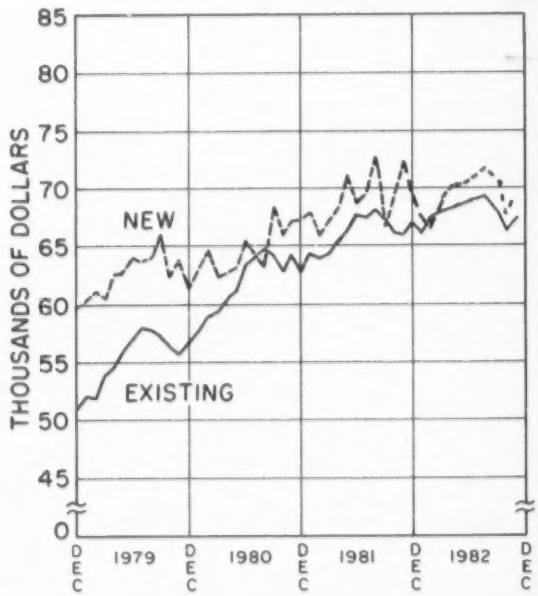

SOURCES: Federal Reserve Board, Commerce Department, National Association of Realtors.

MBA Economics Department

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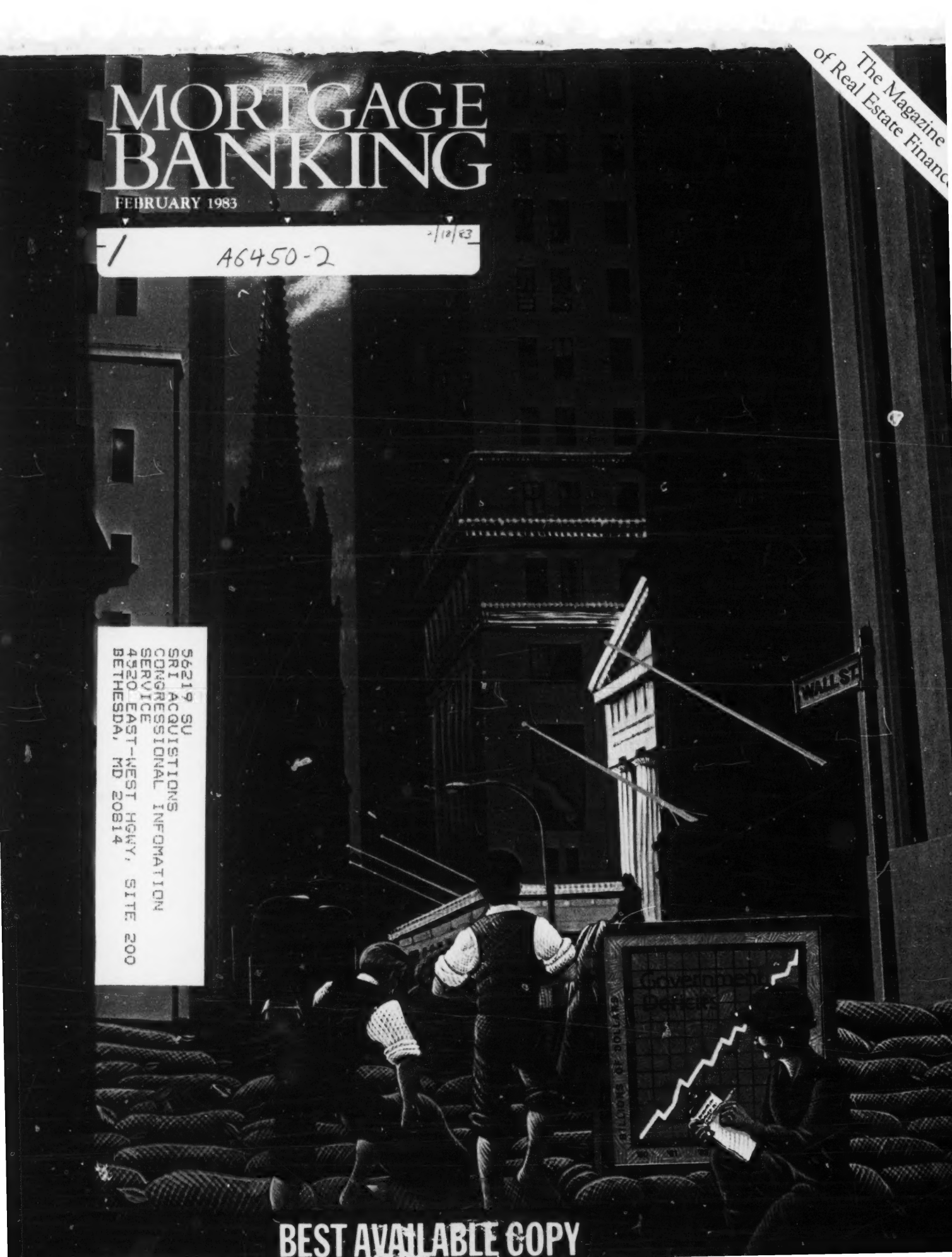

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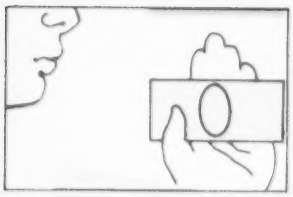

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HOUSING: PROSPERITY'S BELLWETHER

Peter E. Brereton

Housing construction is one of the most volatile sectors of the United States' economy. Since the end of World War II, the housing industry has completed seven short-term cycles and is in the middle of the eighth. These fluctuations usually have been the result of changes in general credit conditions in the economy. Prior to 1978, usury ceilings in most states meant that whenever market interest rates reached these ceilings, credit for housing became unavailable. Since the Federal override of usury ceilings in 1978, however, mortgages have been available at market rates so that the ability of buyers to afford the monthly payment becomes the determining factor in securing mortgage credit, rather than the availability of credit.

Whatever the magnitude of this income elasticity of demand for housing, policies that raise interest rates can result in large declines in expenditures on housing. Therefore, a combination of a restrictive monetary policy and an expansionary fiscal policy can have an adverse effect on housing and construction in general.

Because of housing construction's quick response to changes in credit conditions, it has borne the brunt of the countercyclical monetary policy of the Federal Reserve Board. Spending on residential construction tends to be among the first items choked off at the peak of a cyclical expansion. Similarly, it has been the case that the housing industry leads the way out of recessions by responding first to the easier credit conditions at the trough of a recession.

Monetary policy handmaiden

This ability of the housing industry to employ vast resources when credit is slack, and to release those resources when credit becomes tight has led housing to be known as the 'handmaiden' of monetary policy. The resulting boom and bust cycles have imposed serious constraints on the efficiency of the construction sector. Despite more than two decades of government policies designed to stabilize the housing sector, it still bears a far greater burden of cyclical disruption than any other sector of the economy.

We must ask several crucial questions when analyzing the postwar cycles of the housing and construction industry in order to understand how housing responds at the trough of economic cycles. Does housing in fact lead the economy out of recession? If housing does indeed provide a major boost to the economy at these crucial periods, what are the chances of a major economic recovery in the absence of a housing recovery? The answers to these questions provide insights concerning the strength of the recovery from the current recession.

continued

ILLUSTRATION BY SHELDON GREENBERG

Housing and the GNP

While the fluctuations in housing construction cycles are well known, it is not often appreciated that in general, housing construction as a percentage of constant dollar GNP has fallen in the postwar period. As Graph 1 shows, the percentage of real GNP devoted to residential fixed investment declined from a peak of 6.9 percent in 1950 to a low point of 3.6 percent in both 1975 and 1981.

Even with the tremendous demographic demand for housing in the 1970s, the average proportion of real GNP that went into residential housing in that decade was 4.6 percent. This was considerably lower than the 5.4 percent average for the decade of the 1950s and only slightly higher that the 4.4 percent average of the 1960s.

This relationship between residential fixed investment and real GNP is important for several reasons. First, the full impact of restrictive monetary policy with its attendant pain of high interest rates has continued to fall on an ever-smaller share of the GNP. As the proportion of residential construction to GNP declines, the impact of tight money on housing must be progressively stronger and more severe in order to achieve the desired macroeconomic results.

Secondly, these data challenge arguments that housing is absorbing more than its "fair share" of the nation's credit. In the 1970s, a decade of strong demand for housing, the industry used a smaller credit share than it used during the 1950s. Finally, if housing and construction do lead the economy out of recessions, the turnaround is dependent on a large multiplier working on a very small component of GNP (4 to 5 percent on average).

Graph 1

Residential Fixed Investment as a Percentage of Real ($72) GNP

SOURCE: Commerce Dept.; *Business Conditions Digest*

Trough response

How does the housing and construction sector respond at the trough of a business cycle? To examine this question, it is necessary to observe some constant measure of housing investment and its behavior vis-a-vis the entire economy. Two cyclical indicators that measure the level of housing and construction investment are residential fixed investment and nonresidential fixed investment, both measured in constant (1972) dollars.

The time periods examined are the trough quarters of the seven postwar business cycles (as measured by the National Bureau of Economic Research) and three quarters following the trough. These were chosen for two reasons. First, the use of the standard NBER dates for the trough of a recession allows for consistency and ease of comparison over time. Secondly, upward business cycle movements should be firmly in place three quarters following the trough period.

Peter E. Brereton became staff economist of the Mortgage Bankers Association of America in January 1983. He joined MBA as assistant economist in January 1981. Before joining MBA, he was legislative assistant to Congresswoman Mary Rose Oakar, (D.-Ohio), where he specialized in banking and housing matters.

Table A

Trough	3 Quarters Later	Change in Real GNP ($72)	Change in Residential Fixed Investment +	Change in Non-Residential Fixed Investment	= Change in Total Investment in Structures	Change in Total Investment in Structures as a Percent of the Change in Real GNP	Change in Residential Fixed Investment as a Percent of the Change in Real GNP
Oct 49	3rd Q'50	$53	$8.1	$2.6	$10.7	20.1%	15.2%
May 54	1st Q'55	36	6.2	.8	7.0	19.4	17.2
Apr 58	1st Q'59	41.6	8.9	−.6	8.3	19.9	21.3
Feb 61	4th Q'61	41.3	3.4	−.7	2.7	6.5	8.2
Nov 70	3rd Q'71	41	11.5	−.3	11.2	27.3	28.0
Mar 75	4th Q'75	53.4	6.5	−.1	6.4	11.9	12.1
July 80	2nd Q'81	38.5	3.1	3.6	6.7	17.4	8.0
					Postwar Average	17.5%	15.7%

SOURCE: U.S. Commerce Department

As Table A indicates, the growth in real GNP is positive and fairly strong three quarters after the trough of the recession. In constant (1972) dollar terms the increase has been between $36 and 53 billion. Changes in residential fixed investment also have been positive. Nonresidential fixed investment exhibits a different pattern in that it is normally (except for strong positive increases in 1949-1950 and 1980-1981) slightly negative. This finding is consistent with observations that nonresidential construction markets, dominated as they are by business capital spending, move in opposite phase from housing cycles. Therefore, as the recession goes past the trough, commercial and industrial building would be continuing their decline. This did not happen in either 1948-1949 nor in 1980-1981.

The best explanation as to why nonresidential investment remained strong in the first period is the dearth of non-defense investment in the preceding decade. There was a tremendous shortage of commercial and industrial buildings and that shortage continued through the first brief postwar recession.

In 1980-1981 office building development was the key to the strength of the nonresidential sector. The tremendous demand for office space, which was the result of the "baby boom" group's entry into the labor force, pushed up nonresidential investment. Because nonresidential fixed investment is normally countercyclical, rather than procyclical, the remainder of this analysis will focus on residential fixed investment.

Residential fixed investment

For all its small size relative to GNP, residential fixed investment plays an important role in recovery from recessions, out of proportion to its size. As a percentage of the change in real GNP during the seven postwar business cycles examined, the change in residential fixed investment fluctuated from a low of 8 percent to a high of 28 percent in the period from the trough quarter of the recession to three quarters later. As an average, residential fixed investment accounted for 15.7 percent of the increase in GNP during the recession's recovery periods. This result is from a sector that accounts for between 4 and 5 percent of GNP.

As Table A shows, the percentage of the increase in real GNP accounted for by residential fixed investment declined throughout the 1970s from a postwar peak of 28 percent in 1970 to 8 percent in 1980. In fact, for the last recession, (1980-1981), the share of GNP growth contributed by residential fixed investment (8 percent) was the lowest since 1961. Not surprisingly, the growth in real GNP for the three quarters following the trough of the 1980-1981 recession was lower than the postwar average of $43.5 billion. Perhaps one of the factors slowing the growth performance of real GNP was the anemic state of residential fixed investment.

These data allow us to answer the questions posed at the beginning of this analysis. Housing construction, relative to its share of GNP, plays an important role in the recovery of the economy from recession. In the seven postwar business cycles, residential fixed investment alone accounted for an average of 15.7 percent of the growth in real GNP in the three quarters following the trough of the recession. When this spending is combined with the household durable purchases such as stoves and refrigerators that are accelerated as a re-

continued

Table B

Peak	Last Quarter of GNP Decline	Change In Real GNP ($72)	Peak Quarter	Last Quarter of GNP Decline	Change In Residential Fixed Investment
Nov 48	4th Q 49	−7.1	4th Q 48	4th Q 49	2.8
Jul 53	2nd Q 54	−16.3	3rd Q 53	2nd Q 54	1.9
Aug 57	2nd Q 58	−18.6	3rd Q 57	2nd Q 58	−.7
Apr 60	4th Q 60	−6.3	2nd Q 60	4th Q 60	−1.4
Dec 69	4th Q 70	−0.9	4th Q 69	4th Q 70	4.0
Nov 73	1st Q 75	−60.7	4th Q 73	1st Q 75	−18.0
Jan 80	2nd Q 80	−38.6	1st Q 80	2nd Q 80	−11.1

SOURCE: U.S. Commerce Department

sult of new residential construction, it is easy to see the strong effect that housing has on a weak economy.

Does housing lead the economy out of recession? In order to answer this question we must study how the timing of the recovery in residential fixed investment relates to the upturn in the general economy. In Table B, the change in real GNP is measured from the peak of each business cycle to the last quarter of GNP decline. This is the full measure of the economy's decline. The change in residential fixed investment is measured over the same time period. If residential construction actually does lead the economy out of recession, residential fixed investment should begin to grow even as the general economy is continuing its decline. However, it appears that this relationship holds true only about half of the time.

According to Table B, residential construction led the economy out of the 1948-1949 and 1953-1954 recessions and led strongly in the 1970 recovery. In the recessions of 1957-1958 and 1960, residential fixed investment was still declining slightly as the economy approached the end of the downturn. In the 1973-1975 recession and more recently in 1980, residential fixed investment declined sharply as the gross national product fell.

The last two recessions

What is the explanation for this discrepancy when housing construction plays such an important role in the general recovery? Some reasons may lie in the unique characteristics of the last two recessions. The 1973-1975 downturn was the worst since the Great Depression of the 1930s. To a large extent, the severity of this recession was due to the tremendous inventories that had built up in many industries before the recession began. Housing was no exception. By the beginning of 1975 there were 10 months' supply of new homes at the prevailing sales rate in builders' inventory. This meant over 300,000 new homes, an inventory backup that was not again approached until the 1980 recession.

As a result, even when the plunge in new home sales was halted, over 300,000 new homes remained to be sold. Strong growth in new construction could not begin until this inventory was worked off. The recession of 1980 had similar characteristics. The inventory of unsold new homes approached 350,000 during this downturn, nearly a 12 month supply at prevailing sales rates. This was the highest months' supply number ever recorded.

Added to this problem were heretofore unheard of interest rates. When rates fell dramatically, home sales rose, but by that time the recovery had begun and housing construction could not be said to have led the recovery. Also, some analysts believe that the 1980 recession is really a part of a 1980-1982 recession that is only now coming to an end. If that is true, housing did not lead the recovery from the 1980 downturn simply because there was no recovery. At this time however, the National Bureau of Economic Research still regards the 1980 slump as a separate recession.

Notice however, that construction still played a very important role in the recovery from the 1973-1975 and the 1980 recessions. As Table A points out, total investment in structures as a percent of the change in real GNP during the recovery period from those recessions were 11.9 percent and 17.4 percent, respectively. Housing construction alone accounted for 12 percent of the recovery from the 1974-1975 slump and 8 percent of the recovery in 1980. The weaker performance of housing in 1980, considerably lower than the postwar average for recovery periods of 16 percent, may account for the weakness of the upturn and its temporary nature. If the recovery from the current recession is to be strong and long-lasting, housing construction must resume quickly and strongly. □

Seconds: A Snowballing Market

Walter P. Blass

In a shrinking home finance market the one growth sector has been second mortgages. We estimate that two of every five mortgages issued by a financial institution in 1981 were second mortgages and the ratio should be even higher this year. Through the early and mid-1970s that ratio was one in 20. In dollar volume, second mortgages doubled between 1979 and 1981, while firsts were cut in half.

In 1979, residential first mortgage originations were $180 billion and seconds an estimated $9.5 billion. In 1980, firsts were $93 billion and seconds an estimated $19 billion.[1]

Late last year, while the second mortgage sector still appeared stronger than the first, volume was leveling off or declining slightly. It was declining in the dominant market, California, and in the Southeast, though still gaining elsewhere. One of the factors causing this is the decline in home equities. Our projections for 1982 originations are $80 billion in first mortgages and $17-19 billion in seconds.

(Seller second mortgages—mortgages taken back by individuals as a condition of selling their house—are not covered in this article. They may have reached $10-15 billion in 1980 and 1981.)

Walter P. Blass is executive vice president and head of the production division of Advance Mortgage Corporation, Southfield, Michigan, a position he assumed in December 1980. He has held several other executive positions with Advance, having first joined the company as an administrative assistant in 1973. Also, he has served as co-chairman of MBA's Business Development Committee, and chairman of the Market Liaison Committee.

The basis: explosion in equities

The event that made possible the strong second mortgage market was the extraordinary growth of housing values in the 1970s. The value of the American housing stock more than tripled between 1970 and 1980, reaching a total of $4 trillion. Unmortgaged equity reached $3.1 trillion. (From a Regional Data Associates study for FNMA).

Historically, most seconds for purposes other than purchase money were paid off in three to five years, even if the original term was 15 to 20 years. This is because so many loans are rolled over to take out more cash, as continuing appreciation and mortgage payments build up more equity. One eastern lender used to roll over 80 percent of his seconds five years ago; currently, with more purchase money loans in his mix, only 60 percent.

California's share

Second mortgage business first became big in California and the state still accounts for probably more than 35 percent of all U.S. volume. In 1981 more seconds were made there than firsts. Ohio, Florida, and Arizona are distant runners up. National consumer finance companies report California percentages running from 15 to nearly 40 percent and the other second mortgage sectors get more than half their business there.

In one insurer's tally of second-mortgage insurance transactions—all with mortgage bankers or S&Ls—more than 80 percent of the 1981 loans and more than 50 percent of the 1982 loans originated in California. The remainder were divided among 15 states.

The mobile California lifestyle is part of the reason second mortgage borrowing is so big there. More important, it has the highest appreciation (until recently), the highest prices, the largest loan amounts (many are larger than the first mortgage) and the biggest chunk of housing equity.

The value of the California housing stock in 1980 was 6½ times its total mortgage debt. That left an unmortgaged equity of $580 billion, a fifth of the U.S. total. (Other states with high total equity—$120 to $150 billion—and an even better housing value to debt ratio—7 to 1 or better—include New Jersey, Illinois and Pennsylvania. See the table on page 28.)

California also has a unique business species, the personal property brokers (PPBs). These are the most flamboyant advertisers of second mortgage money. Many are mom and pop businesses with one or two offices who broker their loans to institutional lenders. But some PPBs are large chains that originate their own seconds and market their paper to individual investors or investment syndicates, and, in some cases, to banks. Originating PPBs did $135 million in purchase-money seconds and thirds in 1981 and probably over $250 mil-

continued

lion in total. Within the past year, however, there have been hundreds of failures of PPBs with reported losses to individual investors and to bank lenders in the hundreds of millions of dollars.

Last year's decline in home equities, reversing the trend of the 1970s, has hit the California market harder than elsewhere. Another blow has been the reluctance of some of the banks and large thrifts to make seconds on other than their own mortgages until the various due-on-sale issues are resolved. Some of the largest thrifts have reduced their seconds lending more than 80 percent.

Marketing and products

There are few parts of the country where one can see ads for second mortgages. Rather, the name of the product is "home equity loans." This euphemism defers to the stigma which long attached to a second mortgage borrower and, for a time, to the kind of firms that would make them. The newsletter *Bankers Research*, in its fine study of the second mortgage market, points out that this stigma is relatively recent, dating only since the Depression, and is already fading.

In some areas, especially California, second mortgages are advertised on TV or in large display ads in newspapers and TV program supplements. This generates traffic but it is not selective.

To reach the middle-income and affluent families who are the preferred second mortgage prospects, direct mail is used with lists carefully selected for income level and sometimes pre-screened by a credit agency. Some lenders have put sales representatives on commission, the same as a first mortgage sales rep, to generate business through contacts with the real estate community. Some pay a fee to banks or thrift institutions for referrals of seconds they do not make themselves.

All the variations found in the first mortgage market are offered in second mortgages—adjustable rates, graduated payments, extended amortization. None has achieved substantial market penetration. Fifteen-year loans with 30-year amortization make it easier to qualify buyers but the customers resist them, fearing the balloon at the end. The five-year balloon is still a staple, especially for debt consolidation and home remodeling loans, but it is fading; both customers and investors fear that balloon. A new wrinkle is guaranteed renewal at the then-current rate when the balloon expires. Increasingly the 15-year fully-amortizing is the staple second mortgage product for all purposes.

The one innovation that seems to be gaining ground—and not very new at that—is the credit-line second mortgage. The borrower is approved for a maximum loan amount which he draws down as needed. He pays only an origination fee and closing costs until he draws on the loan.

Increasingly, seconds are also being made on commercial properties for a variety of purposes, the most common being working capital.

FNMA milestone

One of the milestones in the second mortgage market has been the entry of FNMA, starting in late 1981.

- Almost overnight it has become *the* secondary market for second mortgages. It has issued firm commitments through the first eight months at a $1.5 billion annual rate. The private secondary market will probably do less than $0.5 billion.
- It has made seconds suddenly more affordable. The FNMA yield, after deducting servicing, is only ¼ percent higher on the second mortgage commitments than on firsts—currently 14⅝ versus 14⅜. Because of the higher costs of originating and servicing seconds, the spread on the street is an effective 1-2 percent—but that is half or less the historical spread of 3-4 percent. FNMA also requires mortgage insurance for everything above 65 percent in the combined loan-to-value ratio and on the top 25 percent of the second if not otherwise covered. This adds 25 to 50 basis points, depending on the size of the second and its purpose.
- It has brought new depth to the secondary market for seconds. Its participation program permits originators for their own portfolio and even secondary market investors to become, in effect, co-investors with FNMA. Many small and medium finance companies have become, effectively, second mortgage bankers, selling nearly all their production to the participation program. The head of one company that is both originator and investor says, "Yes, it has narrowed my profit structure but it has become an adjunct to my bank lines, a lender in reserve. The convenience was worth paying for."
- The familiar and reassuring FNMA presence in the secondary market has made it easier for mortgage bankers and S&Ls to get into second mortgages.

Private market

One Southern second mortgage company recalls creating a secondary market as early as 1975, setting up a consortium of pension funds, savings & loans and commercial banks. But a private secondary market for the entire industry only took shape about the second half of 1980. The investors were life insurance companies, savings & loans, commercial banks, and large consumer finance companies.

Since FNMA's entry, what is left of the private secondary market falls into two segments. One is mostly savings & loans, many with funds from old-mortgage swaps with FHLMC, seeking special nicnes not competing with FNMA. One such is non-conforming loans, where the combined first and second are over FNMA's $107,000 maximum.

Another sought-after product line is immediates with maturities of five years or under. There are more investors than sellers in these markets;

Estimates of Second Mortgage Market by Sector

Consumer Finance Companies

	Second Mortgages (Net)					As Percent of All Personal Loans			
	Originations			Outstanding Yr-End		Originations		Outstanding Yr-End	
	Number	$	Avg Loan	Number	$	Number	$	Number	$
	(000s)	(Millions)		(000s)	(Millions)				
1981	862[1]	11,510[1]	13,354	1,468[1]	16,893[1]	8%	44%	10%	51%
1980	711	8,941	12,581	1,126	11,500	7%	38%	8%	44%
1979	693	6,000[2]	8,800[2]	966	8,200[2]	5%	23%	7%	32%
1978	---	3,200[1]	---	---	4,600[1]	--	---	--	27%

SOURCE: National Consumer Finance Association. Data from survey respondents are extended to Federal Reserve estimates of Total Personal Loans at Finance Companies; 1981 extensions by U.S. Housing Markets. Includes finance company affiliates of banks, thrift institutions and others as well as independent finance companies.

[1]U.S. Housing Markets estimate; 1981 based on NCFA data for reporting companies, 1978 recalculated from gross figures.
[2]Recalculated from gross figures by U.S. Housing Markets.

Mortgage Bankers (in millions of dollars)

	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
Originations	650[1]	448	294	313	84	96	90	122	408	160	54
Percent Total Residential Mortgages	2.8%[1]	1.3%	0.8%	0.9%	0.3%	0.5%	0.5%	0.8%	2.6%	--	--
Average Loan	--	18,573	17,062	16,786	--	--	--	--	--	--	--
Servicing	--	563	761	781	246	177	206	282	663	--	--
Percent Residential Servicing	--	0.3%	0.4%	0.5%	0.2%	0.1%	0.2%	0.3%	0.7%	--	--

SOURCE: Mortgage Bankers Association
[1]U.S. Housing Markets estimate

Rough Estimates of 2nd Mortgage Market, Non-Reporting Sectors

	Originations (billions of dollars)		
	1981	1980	1979
Thrift Institutions	2.7	0.5	0.1
Commercial Banks	2.3	2.0	1.75
Second Mortgage Companies	1.75-2.5	1.5-2.0	1.25-1.75

Estimates by U.S. Housing Markets, based on interviews, published information of representative institutions and companies. California is estimated to represent three quarters of thrifts' market, approximately half of commercial banks.

See "The Statistical Problem"

many sellers are holding off until rates decline more. Many investors are leery of California seconds, particularly on balloons; the default rate is climbing there.

The other segment comprises consumer finance companies. Some have dropped out of the secondary market. Others remain because "There aren't just interest-rate benefits in second mortages. There are money-market benefits—the very short repayment period." The companies' spreads over first mortgage rates are higher than FNMA's. But they do not require insurance and they count on faster turnaround time, better service, and lack of red tape to offset their price disadvantage.

Mortgage insurance

Most private investors other than consumer finance companies now require mortgage insurance. First-time investors and buyers of high-ratio seconds demand the reassurance.

When mortgage insurance on seconds was new, insurers were burned on a number of 90 percent loans (first plus second). Borrowers, in effect, sold their house to the second mortgage lender and walked away. Now most insurers will insure up to a 90 percent ratio only on purchase-money or home remodeling seconds; their limit on equity-money seconds is 80 or 85 percent. One will not insure more than 25 percent of an equity second. Another insurer demands a copy of the purchase contract to confirm the purpose of the loan and makes inspections of home remodeling jobs before releasing progress payments.

Loan standards

FNMA's income standards allow payments on first and second mortgages to total 33 percent of gross income and total debt service to go 38

continued

percent and in some cases up to 45 percent. Insurers set 38 or 40 percent limits, and sometimes smaller limits on debt consolidation loans.

Most finance companies, on the other hand, will go up to 50 percent or more for total debt service. Many lenders have a second criterion—net margin—which recognizes that a high-income buyer can afford a higher ratio of debt to income. If the buyer has $300 per month of disposable income per person (after debts and taxes), he will qualify regardless of the debt service ratio.

Most lenders do not check for the possible presence of thirds on top of their second mortgage. Some check only on purchase money mortgages. In California, where there has been a spate of recent foreclosures with large seller thirds, some lenders check for thirds and add the payments to the debt service ratio.

The property appraisal is considered even more critical to making a good loan than the credit rating of the borrower. Many lenders are now concerned about the difficulty of obtaining a valid appraisal when there is a wide gap between the real value of homes and the prices paid in sales with creative financing. Some have cut back their lending in markets like California where this problem is conspicuous.

We have very limited data on delinquency and foreclosure experience.[2] What is available suggests that experience with second mortgages, at least until very recently, has been even more favorable than with firsts. Even in the 1974-75 recession, losses were minimal. Credit losses at one of the largest second mortgage lenders have consistently averaged under 0.2 percent of outstandings; in 1982 it probably went as high as 0.25 percent.

During 1982, however, defaults in California were severe, especially on balloon loans and on 90-percent-ratio equity loans. Loans with a heavy superstructure of thirds and fourths have also been vulnerable.

Home Equity Market by States, 1980 *($ billions)*

	Aggregate Value of Housing Stock	Total Mortgage Debt	Home Owners' Equity
Alabama	71.9	24.7	47.2
Alaska	6.2	1.1	5.1
Arizona	56.0	15.8	40.2
Arkansas	31.9	7.2	24.7
California	683.8	104.8	579.1
Colorado	59.0	10.5	48.5
Connecticut	58.9	6.7	52.2
Delaware	10.9	0.7	10.2
District of Columbia	9.1	1.1	8.0
Florida	163.9	65.1	98.8
Georgia	89.9	29.4	60.5
Hawaii	23.5	3.4	20.1
Idaho	15.8	5.2	10.6
Illinois	162.9	21.6	141.3
Indiana	71.8	16.0	55.7
Iowa	43.9	12.2	31.8
Kansas	33.5	7.4	26.1
Kentucky	50.5	10.2	40.4
Louisiana	78.8	14.7	64.1
Maine	12.3	2.2	10.1
Maryland	89.6	11.6	78.0
Massachusetts	69.1	6.8	62.4
Michigan	134.5	29.1	105.4
Minnesota	72.0	31.1	40.8
Mississippi	37.8	9.2	28.6
Missouri	68.9	17.2	51.7
Montana	13.9	2.8	11.1
Nebraska	20.4	5.7	14.7
Nevada	25.3	7.8	17.5
New Hampshire	13.1	2.9	10.2
New Jersey	141.9	20.8	121.1
New Mexico	22.5	3.4	19.1
New York	222.0	73.8	148.2
North Carolina	80.7	21.7	59.0
North Dakota	7.2	2.7	4.5
Ohio	159.9	29.0	130.9
Oklahoma	60.6	11.6	49.0
Oregon	53.7	17.9	35.8
Pennsylvania	175.9	25.0	150.9
Rhode Island	11.5	1.7	9.8
South Carolina	43.2	10.3	32.9
South Dakota	7.6	2.4	5.2
Tennessee	78.4	21.6	56.8
Texas	300.8	58.1	242.7
Utah	23.1	3.9	19.3
Vermont	5.4	1.0	4.4
Virginia	102.8	21.0	81.8
Washington	97.1	27.0	70.1
West Virginia	22.9	2.3	20.6
Wisconsin	72.4	15.4	57.0
Wyoming	8.9	0.7	8.1

Institutional and Seller Financing/California Existing Home Sales

Type of Financing	1981 Number of Sales	1981 Aggregate Dollar Volume (millions)	1980 Number of Sales	1980 Aggregate Dollar Volume (millions)
New First Mortgage plus 2nd by source of second:				
Seller-carried	11,723	$ 272.2	15,745	$ 338.0
Financial institution	3,913	$ 90.9	5,255	$ 113.0
Loan broker/3rd party (PPBs)	1,126	$ 12.9	1,510	$ 32.5
Other	554	$ 12.9	745	$ 16.0
Assumption plus 2nd by source of second:				
Seller-carried	61,272	$1,422.9	56,822	$1,220.0
Financial institution	20,380	$ 637.5	18,941	$ 547.8
Loan broker/3rd party (PPBs)	5,994	$ 113.1	5,464	$ 95.4
Other	2,888	$ 67.1	2,681	$ 57.0
Assumption plus 2nd plus 3rd by source of second:				
Seller-carried	32,967	$ 765.6	22,142	$ 475.4
Financial institution	10,989	$ 343.8	7,490	$ 216.6
Loan broker/3rd party (PPBs)	3,164	$ 59.7	2,117	$ 37.0
Other	1,556	$ 36.1	1,043	$ 22.4
By source of third:				
Seller-carried	41,375	$ 601.0	27,873	$ 374.4
Loan broker/3rd party (PPBs)	5,938	$ 86.3	4,001	$ 53.8
Other	1,363	$ 19.8	918	$ 12.3
AITD (wraparounds, mostly seller):	23,310	$1,146.9	16,282	$ 740.7
Owner-carried 1st Mortgage	28,305	$2,101.0	18,607	$1,277.0

Dollar volumes exclude underlying 1st mortgage loans if assumed. In the case of AITD's, only the amount in excess of the underlying first is included.

SOURCE: 1981 Real Estate Finance Survey, Planning, Research and Economics Division; California Association of Realtors®.

One insurer emphasizes that seconds need to be serviced much more like personal loans than like first mortgages. In this context, the collection effort should start as soon as payment is 10 days late and foreclosure should start if the account is 60 days late without good reason.

The statistical problem

There are five industry sectors that make second mortgages—consumer finance companies, second mortgage companies, commercial banks, thrift institutions, and mortgage bankers. Only two of these break out second mortgage data.

• Only mortgage bankers report industrywide second mortgage data which does not require further manipulations (The Mortgage Bankers Association through 1980). But this is the smallest of the five sectors. U.S. Housing Markets estimates 1981 originations at $650 million, up 45 percent.

• In the largest sector, consumer finance, the National Consumer Finance Association has conducted surveys of its members' second mortgage lending since 1975, with steadily improving method. The responding companies account for well over half the industry's assets. Prior to 1981, NCFA Research Services projected the survey findings to the total personal loans universe to produce industrywide estimates for originations and outstandings. Future NCFA surveys will use a sample of companies consistent from year-to-year and thus reflect changes in trend more precisely.

Prior to 1980, the surveys did not sort out net from gross figures. U.S. Housing Markets calculated net figures for 1979, based on 1980 net-to-gross relationships. (Gross figures, the norm in the small loan business, include the anticipated interest revenue. All our estimates are net.) Prior to 1979, the surveys measured only receivables.

1981 is estimated by U.S. Housing Markets, based on preliminary NCFA data for repeating companies, at $11.5 billion, up 29 percent.

• Thrift institution data does not separate seconds from other 'mortgages. There is consensus among observers that California savings & loans originate the bulk of thrifts' seconds. Interviews with representative California institutions plus published information developed the estimate that about 30 percent of their 1981 mortgage volume and about 5 percent of their 1980 volume was in seconds. Applying this to statewide mortgage totals gave a 1981 figure of $2 billion. Assuming that California accounted for 75 percent of all thrifts' second mortgage lending, our U.S. estimate for 1981 is $2.7 billion, up 440 percent.

• Commercial banks report seconds either under mortgages or under installment loans. The aggressive second mortgage lenders have been the California banks and scattered banks in other large-city markets. One California banker estimates that bank seconds there have run a consistent $1 billion a year from 1979 through 1981. New York City banks estimate they did $300 million in sec-

continued

The U.S. Home Equity Market, *($ billions)*

	Aggregate House Value	Aggregate Home Equity
1970	1132	865
1971	1253	961
1972	1390	1062
1973	1555	1191
1974	1731	1337
1975	1933	1499
1976	2133	1639
1977	2451	1872
1978	2891	2214
1979	3432	2644
1980	3978	3122

SOURCE: *Regional Data Associates for FNMA. Estimated from housing stock, mortgage debt and price data.*

onds in 1981 after the new enabling acts became effective in March. Assuming that the California banks did about half the commercial bank volume prior to the entry of the New York banks, we estimate this sector's 1981 volume as $2.3 billion, up 15 percent.

• It is difficult even to define the second mortgage company universe, let alone obtain data from it. Some are large multi-state operations with substantial bank lines, comparable to consumer finance companies (indeed, most began as finance companies). Others, like the personal property brokers in California, are largely local operations that fund themselves by marketing and servicing seconds for individual investors. Some second mortgage companies are members of the National Second Mortgage Association but so are entities from all the other sectors, and two thirds of the respondents in NSMA surveys are consumer finance companies. One of the largest second mortgage companies estimates total volume in this sector is currently $2-3 billion a year, growing at a 20 percent annual rate.

Our estimate, then, of total second mortgage originations adds up to $18.9-19.7 billion in 1981, $13.2-13.9 billion in 1980. There is obviously a very wide margin of error. The 1981 estimate could be high by as much as $2.5 billion or low by as much as $1 billion. □

[1]*There is an extreme lack of data on the size of the second mortgage market. Our figures are broad estimates. For 1981, they may be high by as much as $2.5 billion or low by as much as $1 billion. See "The Statistical Problem," page 29.*
National Consumer Finance Association and National Second Mortgage Association surveys through 1980. Some individual lenders through 1981.

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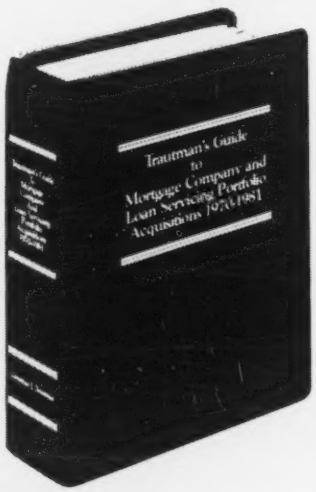

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MORTGAGE MARKET TRENDS

Prepared by MBA's Economics Department

January 17, 1983

MBA's just-concluded Senior Executives Economic Outlook Conference ended on an upbeat note, as mortgage industry executives and analysts anticipated a much improved year in 1983. The conferees discussed the recent declines in interest rates, the prospects for economic recovery, and the latest strategies of investors and secondary market institutions. The consensus was that 1983 will be a year of weak but steady economic recovery paced by a relatively strong recovery in the housing markets.

Conference speakers forecast for 1983 stable or even lower mortgage yields around 12 to 13 percent, 1.4 million housing starts, and existing house sales above 2.5 million. The speakers expected the overall economy to end the recession by expanding 2 to 4 percent with inflation staying in the 4 to 5 percent range. While such economic results would be quite modest in comparison with most recovery years, it would be welcome after three years of decline that have left the real gross national product still below its level of 1979. Conference speakers were divided over the shape of the recovery this year, and over whether it will be sustainable into 1984 and 1985.

The outlook for 1983 is not without risks, and the risk most often cited was the ballooning federal deficit. The current "extraordinary" deficits are projected to reach about 5 percent of GNP over the next three fiscal years. Without corrective action on either the spending or revenue side, this level of federal borrowing threatens to raise interest rates by 1984. The economists were divided on whether the United States will have the political will to make the difficult decisions necessary to reduce these deficits. For 1983, it appears that the Treasury borrowing needed to finance these deficits, while burdensome to the capital markets, will not threaten the recovery. However, if such large deficits are allowed to persist once the economy returns to a 5 percent growth rate, they will jeopardize continued economic growth in 1984 and 1985.

In terms of the shape and the strength of the 1983 recovery, there was some disagreement. A number of the panelists agreed that the 1983 real growth will be much weaker than that normally associated with the first year following a recession. This group predicted that fourth quarter 1984 real GNP will be two percent higher than that of fourth quarter 1983 (rather than the more "normal" 5 to 6 percent rise). At least one economist, however, felt that 1983 will experience stronger growth at around 4 to 4.5 percent. The panel also differed on the quarterly pattern of growth. Some speakers predicted a strong first quarter followed by three erratic quarters, while others felt that 1983 will be characterized by a slow and steady quarterly increase in real GNP.

The economists had some suggestions as to how to reduce the deficits and prolong the 1983 recovery into mid-decade. These ideas included revenue measures such as a tax on imported oil and accelerating Social Security tax increases now scheduled for the late 1980s. The panelists also saw room for additional cuts in defense spending beyond those recently announced by the Defense Department.

For 1983, however, the consensus is that housing will enjoy a strong year. Conference participants heard from senior officials of the major secondary market investors, the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC), as well as the Government National Mortgage Association (GNMA).

Senior executives of thrifts, banks, and life insurance companies discussed ways to manage interest rate risk and to offer products better suited to current market conditions. The implications of the recent depository institution deregulation for real estate were noted, although the final outcome is still uncertain.

Investors agreed that there is a deep and active market for mortgage-backed securities. Both FNMA and GNMA are now averaging about $2 billion in new issues per month. The FNMA conventional mortgage-backed security, only a little over a year old, was reported to have about $15 billion outstanding as of the end of 1982. The FNMA and GNMA representatives also outlined to attendees the details of several new innovations that are contemplated for mortgage-backed securities and negotiated transactions. GNMA soon will permit buydowns in GNMA pools. FNMA will move to achieve more standardization in mortgage instruments.

Income property practitioners heard a rather cautious economic outlook for the office, warehouse, and retail markets, and also conducted sessions on the transfer of servicing and the near term plans of major life insurance companies. Although 1983 will be a weaker year for most income property firms, the slow but steady economic recovery seen by most observers will mean a more prosperous 1984 as current excess inventory is absorbed.

The bottom line reached at the conference was that the long period of retrenchment is over, at least on the residential side of the industry. After closing offices and reducing staff for two years, the recent refinancing rush has finally signaled better times ahead.

Dr. Warren Matthews
Senior Economist

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MORTGAGE MARKET TRENDS—FEBRUARY 1983

RESIDENTIAL STRUCTURES, BY UNIT TYPE
(Units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES: Actual: Total	1-4 Units	5+ Units	Seasonally Adjusted Annual Rate: Total	1-4 Units	5+ Units	HOUSING STARTS: Actual: Total	1-4 Units	5+ Units	Seasonally Adjusted Annual Rate: Total	1-4 Units	5+ Units
1981												
AUG	75	52	23	865	582	283	86	63	22	934	675	259
SEP	81	49	32	850	533	317	85	64	20	920	708	216
OCT	66	44	23	722	482	240	86	58	28	864	590	274
NOV	54	35	19	723	476	247	64	47	17	863	651	212
DEC	57	35	22	789	544	245	60	40	21	899	635	264
1982												
JAN	47	29	19	832	528	304	48	34	14	895	668	227
FEB	50	32	18	795	509	286	51	37	14	924	642	282
MAR	79	51	28	851	541	310	79	59	20	941	697	244
APR	82	53	29	879	526	353	85	62	23	888	637	251
MAY	81	53	28	944	590	354	99	67	32	1,075	720	355
JUN	89	59	30	929	607	322	91	71	20	906	701	205
JUL	91	53	37	1,062	585	477	107	70	37	1,195	729	466
AUG	80	54	26	888	580	308	96	70	26	1,002	712	290
SEP	100	61	39	1,003	657	346	105	71	34	1,111	762	349
OCT	100	63	37	1,172	737	435	111	73	38	1,129	767	362
NOV	95p	63p	33p	1,243p	839p	404p	111p	73p	38p	1,428p	969p	459p
11 months												
1982	894	571	324				983	687	296			
1981	711	621	291				1,022	760	262			
1980	1,083	759	3,214				1,194	894	300			
1979	1,432	1,020	4,121				1,656	1,254	402			

VALUE OF NEW CONSTRUCTION PUT IN PLACE
(Dollars in millions)

Year and Month	Seasonally Adjusted Annual Rate: Total	1 Unit	2+ Units	Non-Res.
1981				
AUG	119,458	40,585	17,490	61,383
SEP	117,067	38,480	17,429	61,158
OCT	113,897	36,185	16,575	61,157
NOV	113,057	34,608	16,377	62,072
DEC	113,827	34,288	16,863	62,676
1982				
JAN	115,136	35,446	15,821	63,869
FEB	115,975	34,557	15,800	65,618
MAR	117,171	34,725	17,563	64,883
APR	113,782	34,368	15,198	64,216
MAY	115,344	34,388	16,593	64,363
JUN	116,809	34,698	15,060	67,051
JUL	115,489	35,269	16,174	64,046
AUG	115,354	35,198	16,875	63,281
SEP	118,346	35,423	17,560	65,363
OCT	117,877	35,890	16,460	65,527
NOV	119,723p	37,624p	16,539p	65,650p

HOUSE SALES
(Units in thousands)

Year and Month	EXISTING HOUSES[1]	NEW HOUSES: Sold	Available For Sale	Months Supply at Current Rate
1981				
AUG	216	34	300	8.8
SEP	184	27	298	11.2
OCT	173	29	290	10.1
NOV	141	27	278	10.5
DEC	128	29	272	9.4
1982				
JAN	114	27	273	10.2
FEB	131	28	267	9.4
MAR	176	35	268	7.6
APR	169	33	263	8.0
MAY	165	37	259	8.0
JUN	185	34	253	7.5
JUL	179	31	251	8.1
AUG	181	34	247	7.9
SEP	163	40	248	6.8
OCT	168	41	245	6.1
NOV	163p	40p	243	5.2p
11 months				
1982	1,794	380		
1981	2,224	402		
1980	2,694	502		
1979	3,542	681		

RESIDENTIAL STRUCTURES, BY REGION
(units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES: Actual: North East	North Central	South	West	Seasonally Adjusted Annual Rate: North East	North Central	South	West	STARTS: Actual: North East	North Central	South	West	Seasonally Adjusted Annual Rate: North East	North Central	South	West
1981																
AUG	11	10	36	18	115	108	430	212	11	14	42	18	107	151	465	211
SEPT	10	12	40	19	96	111	427	216	12	13	42	17	128	121	476	195
OCT	10	11	30	15	107	104	333	178	11	18	36	21	103	154	378	229
NOV	7	8	28	11	85	98	382	158	7	10	36	11	80	128	497	158
DEC	7	6	32	12	90	100	431	168	8	7	33	13	112	125	483	179
1982																
JAN	3	2	32	10	65	76	512	179	3	3	32	10	76	82	463	157
FEB	4	3	33	11	86	76	473	160	3	2	36	10	110	70	591	152
MAR	8	8	47	16	88	87	490	186	7	7	49	16	111	97	540	193
APR	9	10	46	17	97	105	506	171	9	14	47	15	106	158	470	154
MAY	10	13	41	17	110	145	488	201	12	16	54	18	126	148	612	189
JUN	10	12	46	20	105	118	499	207	10	18	44	19	93	157	462	194
JUL	9	12	45	24	101	140	555	266	11	15	62	18	99	161	743	192
AUG	13	10	42	17	113	106	485	184	12	16	49	16	112	166	543	181
SEP	12	15	51	21	114	131	530	228	16	15	54	20	137	116	514	223
OCT	13	14	51	22	135	139	635	263	10	20	58	23	96	160	622	251
NOV	10p	12p	52p	21p	125p	134p	691p	293p	14p	15p	65p	18p	173p	179p	831p	245p
11 months																
1982	101	111	486	196					107	141	550	183				
1981	103	125	449	234					106	157	530	225				
1980	106	163	513	294					114	203	599	282				
1979	154	275	569	434					169	297	613	442				

CONSTRUCTION STATUS
(units in thousands)

Year and Month	UNDER CONSTRUCTION: Total	1-4 Units	5+ Units	COMPLETIONS: Total	1-4 Units	5+ Units
1981						
AUG	831	533	297	109	81	29
SEPT	800	513	287	108	81	27
OCT	767	488	279	117	80	37
NOV	732	465	267	92	66	26
DEC	682	427	255	105	75	30
1982						
JAN	657	413	244	72	48	24
FEB	644	407	237	63	41	22
MAR	646	412	234	73	50	23
APR	653	419	234	75	53	22
MAY	666	425	241	86	61	25
JUN	671	438	232	85	76	28
JUL	690	442	248	85	64	21
AUG	690	442	248	91	66	25
SEP	713	450	263	84	63	21
OCT	714	451	263	102	71	31
NOV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11 months						
1982				n.a.	n.a.	n.a.
1981				1,151	848	304
1980				1,369	971	398
1979				1,698	1,284	414

INTEREST RATES AND YIELDS

Year and Month	1-4 UNIT MORTGAGES: FHA Opinion Survey: FHA New[1]	Conventional: New	Conventional: Existing	FHLBB Survey: Conventional: New	Conventional: Existing	APARTMENTS[2]	CONSTRUCTION LOANS[3] ALL TYPES	FNMA: FMS Auction Yields on 4 mo. Commitments[4]: FHA/VA	Conv.	GNMA Current Securities Yield[5]	SELECTED SECURITIES: Aaa Utility New Issue	U.S. Gov't.: 10-yr	26-wk	Prime Commercial Paper 90-119 Days	SPREADS (Basis Points): FHA New Minus Aaa Utility	GNMA minus 10-yr Gov't.
1981																
AUG	17.96	17.50	17.55	15.27	15.54	18.13	20.26	17.394	17.304	16.63	n.a.	14.94	15.548	17.23	n.a.	169
SEPT	18.55	18.30	18.35	15.37	15.83	19.13		19.003	19.100	17.33	17.21	15.32	15.057	16.06	134	201
OCT	17.43	18.05	18.05	15.65	16.01	18.87		18.180	18.610	16.89	16.94	15.15	14.013	14.85	49	232
NOV	15.98	16.95	17.00	16.38	16.38	16.87	19.46	16.709	17.250	15.09	15.56	13.39	11.530	12.16	31	170
DEC	16.43	17.00	17.00	15.89	16.02	17.38		16.630	16.931	15.38	15.20	13.72	11.471	12.12	123	166
1982																
JAN	17.38	17.30	17.30	15.25	15.92	18.13		17.890	17.330	16.22	15.68	14.59	12.930	13.09	170	163
FEB	17.10	17.20	17.20	15.12	15.73	17.38	17.86	17.993	17.912	16.24	15.93	14.43	13.709	14.53	117	181
MAR	16.41	16.80	16.85	15.67	15.65	16.88		17.265	17.064	15.83	15.26	13.86	12.621	13.80	115	197
APR	16.31	16.65	16.75	15.84	16.00	16.88		n.a.	16.678	15.56	15.83	13.87	12.861	14.06	48	169
MAY	16.19	16.50	16.55	15.89	16.11	16.88	17.80	16.267	16.310	15.26	15.22	13.62	12.220	13.42	97	164
JUN	16.73	16.75	16.80	15.40	15.56	17.62		17.216	16.700	15.89	15.92	14.30	12.310	13.96	81	159
JUL	16.29	16.50	16.55	15.70	15.52	17.13		17.199	16.820	15.54	15.61	13.95	12.236	12.94	68	159
AUG	14.61	15.40	15.45	15.71	15.63	15.62	17.19	15.780	15.740	14.31	13.95	13.06	10.105	10.15	66	125
SEP	14.03	15.05	15.05	14.99	15.30	15.37		n.a.	15.363	13.51	13.50	12.34	9.539	10.36	53	117
OCT	12.99	13.95	13.95	14.41	14.95	14.13		n.a.	13.917	12.86	12.20	10.91	8.299	9.20	79	195
NOV	12.82	13.80	13.80	13.83	14.32	13.88		n.a.	13.748	11.85	11.76	10.55	8.319	8.69	106	130

LONG-TERM MORTGAGE LOANS CLOSED

(Dollars in Millions)

Year and Month	BY TYPE OF INSTITUTION					BY TYPE OF UNIT, AND INSTITUTION														
						1-4 Units					5+ Units					Nonresidential				
	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.
1981																				
JUN	12,845	2,230	5,367	4,231	1,017	10,021	2,570	4,767	2,640	44	721	90	259	244	128	2,753	220	341	1,347	845
JUL	11,313	2,390	4,528	3,648	747	8,899	2,480	4,006	2,371	42	680	200	220	133	55	2,356	260	302	1,144	650
AUG	10,360	2,640	3,843	3,114	763	8,121	2,480	3,434	2,161	46	1,580	1,260	167	131	22	1,949	190	242	822	695
SEP	10,052	2,190	3,496	3,553	813	7,357	1,880	3,063	2,363	51	444	100	114	152	78	2,251	210	319	1,038	684
OCT	10,472	2,550	3,206	3,634	1,082	6,109	1,580	2,818	2,181	30	1,024	710	143	152	19	2,839	260	245	1,301	1,033
NOV	7,767	1,430	2,809	2,778	750	5,243	1,170	2,421	1,620	32	432	130	159	126	17	2,092	130	229	1,032	701
DEC	10,273	2,790	3,302	3,119	1,062	6,231	1,630	2,669	1,887	45	1,265	880	184	174	27	2,777	280	449	1,058	990
1982																				
JAN	7,593	1,780	2,410	2,471	780	4,678	1,250	1,975	1,440	16	718	350	168	168	26	2,197	180	267	863	738
FEB	8,558	2,420	2,600	2,966	596	4,989	1,230	2,097	1,620	42	1,509	1,030	246	178	54	2,060	160	257	1,168	500
MAR	9,586	2,130	3,160	3,465	795	6,398	1,860	2,626	1,872	39	523	130	207	129	51	2,665	140	327	1,464	705
APR	9,119	2,190	3,100	3,071	684	6,204	1,900	2,582	1,674	45	536	110	177	172	70	2,379	180	341	1,225	569
MAY	8,713	2,490	3,193	2,899	517	6,206	2,030	2,541	1,597	38	590	300	163	111	15	2,314	160	489	1,191	464
JUN	11,242	2,890	4,041	3,826	485	7,863	2,560	3,258	1,995	50	667	160	271	223	13	2,712	170	512	1,608	422
JUL	10,634	2,700	3,427	3,661	846	7,491	2,460	2,922	2,049	60	501	70	206	177	48	2,642	170	299	1,435	738
AUG	10,438	3,040	3,601	3,251	546	7,652	2,740	2,909	1,958	45	613	110	280	210	13	2,173	190	412	1,083	488
SEP	10,887	2,700	3,858	3,855	474	7,961	2,510	3,130	2,276	45	623	80	295	226	22	2,303	110	433	1,353	407
OCT	n.a.	n.a.	3,529	3,764	581	n.a.	n.a.	2,817	2,296	44	n.a.	n.a.	216	210	15	n.a.	n.a.	496	1,258	522

LONG-TERM COMMITMENT ACTIVITY

(Dollars in Millions)

Year and Month	OUTSTANDING					ISSUED DURING MONTH				
	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.
1981										
MAY	57,868	11,220	22,109	9,524	15,015	11,723	3,240	5,232	2,751	500
JUN	54,757	10,240	21,449	8,438	14,630	9,994	3,120	4,325	1,717	832
JUL	54,885	11,650	20,686	8,371	14,178	8,861	3,040	3,598	1,739	484
AUG	53,343	11,380	19,741	8,605	13,617	7,728	3,130	3,250	1,035	313
SEP	51,166	9,540	18,654	9,515	13,457	8,049	1,920	2,751	2,521	857
OCT	45,638	7,080	17,897	8,045	12,636	6,491	2,190	2,716	1,233	352
NOV	44,283	6,320	17,416	8,319	12,228	6,238	2,200	2,507	1,167	364
DEC	44,867	7,390	16,887	9,130	11,460	7,413	3,350	2,823	940	300
1982										
JAN	44,154	7,720	16,653	9,025	10,850	6,855	2,570	2,261	1,743	293
FEB	43,174	7,570	16,529	8,794	10,489	6,926	2,530	2,844	1,131	425
MAR	46,557	9,400	16,664	9,630	10,921	9,310	3,440	3,347	1,564	964
APR	49,230	10,060	17,186	11,381	10,719	9,644	3,980	3,390	1,579	710
MAY	50,347	10,220	17,362	12,345	10,598	9,253	3,750	3,350	1,627	533
JUN	49,533	9,710	17,327	12,543	10,160	8,330	2,810	3,597	1,648	300
JUL	50,172	10,360	16,951	13,436	9,729	8,867	3,090	3,537	1,679	545
AUG	52,268	12,170	17,748	13,192	9,505	9,816	4,000	3,847	1,615	434
SEP	52,329	12,190	18,241	13,108	9,295	11,133	5,310	3,888	1,466	495
OCT	n.a.	n.a.	19,328	12,512	9,280	n.a.	n.a.	4,024	1,620	710

MORTGAGE INSURANCE

(Units in thousands, dollars in millions)

Year and Month	APPLICATIONS RECEIVED UNITS			INSURED					
		FHA/		Total		FHA (203)		VA		Private	
	Total	VA	Private	Units	Amt.	Units	Amt.	Units	Amt.	Units	Amt.
1981											
MAY	80	42	38	54	2,643	14	573	11	583	29	1,487
JUN	81	41	41	64	3,272	14	600	16	876	34	1,796
JUL	74	38	36	59	3,043	12	495	12	644	35	1,904
AUG	68	38	32	52	2,800	10	422	12	696	30	1,682
SEP	62	30	32	55	2,876	15	620	11	660	29	1,596
OCT	51	24	27	43	2,310	8	341	9	485	26	1,484
NOV	47	24	23	41	2,119	10	389	8	464	23	1,266
DEC	62	38	24	38	1,957	8	311	6	357	24	1,289
1982											
JAN	48	31	17	31	1,726	7	270	6	327	18	1,129
FEB	54	32	22	32	1,785	8	356	7	393	17	1,036
MAR	69	37	32	39	2,193	9	373	7	421	23	1,399
APR	63	34	29	35	1,976	8	322	6	374	21	1,280
MAY	67	31	36	43	2,222	8	335	6	328	29	1,559
JUN	83	40	43	50	2,743	9	408	8	443	33	1,892
JUL	84	38	46	52	2,687	9	375	9	482	34	1,830
AUG	82	36	46	54	2,997	8	352	10	573	36	2,072
SEP	91	47	44	60	3,248	11	462	13	743	36	2,043
OCT	103	59	44	52	2,826	10	425	6	385	36	2,016

SECONDARY MARKET ACTIVITY

(Dollars in Millions)

Year and Month	FNMA					FHLMC			GNMA	
	4-Month Commitments				12 Month Convert Standby	Comm.	Purc.	Sold	Pass-Through Securities	
	FHA/VA		Conventional							
	Bid	Accept	Bid	Accept					Applications	Issued
1981										
MAR	197	139	149	98	67	474	148	128	3,297	1,046
APR	175	147	127	92	22	118	125	97	2,962	1,404
MAY	282	252	281	156	69	130	480	421	4,296	1,245
JUN	298	265	307	224	204	293	139	94	4,380	1,382
JUL	405	354	306	238	201	865	242	238	2,050	1,589
AUG	602	352	624	252	113	308	101	44	2,339	959
SEP	400	133	359	120	0	365	393	249	8,106	1,184
OCT	82	37	43	27	0	1,834	290	244	571	739
NOV	105	41	149	63	0	2,011	418	598	1,298	795
DEC	81	34	84	48	0	203	1,140	1,156	1,729	1,304
1982										
JAN	51	31	32	12	0	3,280	1,629	1,628	1,543	902
FEB	51	23	29	14	0	565	1,228	1,115	1,789	960
MAR	57	33	65	32	0	2,523	1,481	1,564	2,223	1,335
APR	n.a.	n.a.	38	23	0	2,824	2,144	2,176	1,219	835
MAY	42	7	39	23	0	2,692	1,214	1,194	1,812	1,194
JUN	33	7	59	33	0	3,166	1,581	1,564	2,800	1,530
JUL	11	1	37	24	0	2,181	2,236	2,205	2,116	1,011
AUG	30	6	70	43	0	2,768	2,529	2,618	2,850	1,383
SEP	17	0	28	9	0	2,892	1,798	1,924	16,429	1,521
OCT	24	0	25	11	0	2,506	2,000	2,200	1,297	1,441

MORTGAGE BANKERS CONSTRUCTION AND LAND LOAN ACTIVITY

(Dollars in Millions)

Year and Month	DISBURSEMENTS DURING MONTH					OUTSTANDING COMMITMENTS TO BORROWERS			
	Construction				Land Loans				
	Total	1-4 Units	5+ Units	Non-res.		Total	1-4 Units	5+ Units	Non-res.
1981									
MAR	290	120	60	110	180	6,810	980	2,640	3,190
APR	390	130	80	180	100	5,200	920	1,410	2,870
MAY	260	120	50	90	90	4,500	910	2,310	1,280
JUN	220	90	50	80	120	3,640	900	1,560	1,180
JUL	360	170	60	130	150	3,920	900	1,860	1,160
AUG	270	110	60	100	100	5,720	850	1,880	2,990
SEP	310	130	70	110	110	3,890	890	1,630	1,370
OCT	280	100	50	130	90	5,780	920	1,200	3,660
NOV	240	90	50	100	110	3,570	630	1,500	1,440
DEC	280	120	70	90	90	3,870	770	1,430	1,670
1982									
JAN	230	60	40	130	110	3,630	630	1,270	1,730
FEB	280	90	50	140	230	3,600	490	1,360	1,750
MAR	240	120	30	90	120	3,910	590	1,530	1,800
APR	300	120	30	150	120	6,360	640	2,130	3,580
MAY	220	80	60	80	140	5,890	540	2,700	3,650
JUN	280	100	60	120	110	6,800	430	1780	4,590
JUL	220	80	50	90	40	8,030	420	1,820	5,790
AUG	200	100	30	70	50	4,390	800	1,510	2,080
SEP	270	100	60	110	40	6,300	1,000	2,770	2,530
OCT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

n.a.-Not available; p-Preliminary

[1]From the National Association of Realtors' "Existing Home Sales" series.

[2]Reflects cumulative total through the latest month for each column.

[3]Secondary market gross yields.

[4]Federal Home Loan Mortgage Corp. Existing construction only.

[5]Federal Reserve's weighted average interest rate for Commercial Banks.

[6]Weighted average gross yields for accepted bids.

[7]Survey of three New York security dealers. Securities for immediate delivery.

[8]Mutual Savings Banks and Commercial Banks.

Sources: American Council of Life Insurance, Board of Governors of the Federal Reserve System, Bureau of the Census, Citicorp Real Estate Inc., Department of Housing and Urban Development, Federal Home Loan Bank Board, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Mortgage Bankers Association of America, National Association of Mutual Savings Banks, National Association of Realtors, Veterans Administration.

MORTGAGE BANKING ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED[1]

Year and Month[1]	SEASONALLY ADJUSTED				NOT SEASONALLY ADJUSTED								
						1-4 Units				5+ Units			
	Total[2]	1-4 Units	5+ Units	Non-Res.	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-[3] Res.
1980													
DEC	2,690	2,160	200	230	2,950	2,300	850	710	740	230	140	90	420
1981													
JAN	3,030	1,750	710	560	2,750	1,620	600	480	540	770	240	530	360
FEB	2,310	1,870	80	390	2,000	1,490	600	470	420	80	20	60	430
MAR	2,940	2,390	260	260	2,570	2,060	850	650	560	230	150	80	280
APR	3,190	2,640	250	270	2,780	2,250	900	660	690	270	30	240	260
MAY	3,230	2,480	480	390	2,970	2,320	860	650	810	270	160	110	380
JUN	2,920	2,510	80	290	2,880	2,570	800	630	1,140	90	10	80	220
JUL	2,870	2,270	180	300	2,940	2,480	720	600	1,160	200	140	60	260
AUG	3,290	2,120	1,300	240	3,930	2,480	740	630	1,110	1,260	20	1,240	190
SEP	1,890	1,640	60	210	2,190	1,880	480	390	1,010	100	40	60	210
OCT	2,210	1,310	1,140	270	2,550	1,580	450	330	800	710	0	710	260
NOV	1,560	1,350	130	100	1,500	1,270	360	290	620	130	20	110	100
DEC	2,530	1,500	780	140	2,790	1,630	560	380	690	880	0	880	280
1982													
JAN	1,980	1,400	310	270	1,780	1,250	390	330	530	350	150	200	180
FEB	2,840	1,570	1,010	150	2,420	1,230	430	270	530	1,030	890	140	160
MAR	2,420	2,130	150	140	2,130	1,860	570	320	970	130	40	90	140
APR	2,470	2,200	110	170	2,190	1,900	560	340	1,000	110	10	100	180
MAY	2,800	2,220	530	190	2,490	2,030	650	420	960	300	120	180	160
JUN	2,910	2,500	140	210	2,890	2,560	810	550	1,200	160	130	30	170
JUL	2,630	2,180	70	210	2,700	2,460	760	520	1,180	70	70	0	170
AUG	2,540	2,390	110	240	3,040	2,740	960	620	1,160	110	20	90	190
SEP	2,320	2,190	50	110	2,700	2,510	810	670	1,030	80	20	60	110
Year-to-date													
1982					22,340	18,540	5,940	4,040	8,560	2,340	1,450	890	1,460
1981					25,010	19,150	6,550	5,160	7,440	3,270	810	2,460	2,590
1980					28,910	23,440	9,110	7,570	6,760	1,890	920	970	3,580
1979					30,700	24,790	8,760	8,330	7,700	2,170	640	1,530	3,740

COMMITMENT ACTIVITY: LONG-TERM MORTGAGE LOANS

Year and Month[1]	COMMITMENTS DURING MONTH								OUTSTANDING COMMITMENTS END OF MONTH					
	To Borrowers				From Investors				To Borrowers			From Investors		
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1980														
DEC	2,880	1,860	410	610	3,760	2,000	560	1,200	6,000	760	1,440	6,560	1,340	2,500
1981														
JAN	5,170	4,700	280	190	2,360	1,900	300	160	9,120	970	1,210	6,110	1,910	2,280
FEB	2,880	2,460	190	230	4,180	3,530	290	360	9,110	610	1,200	6,310	1,390	1,890
MAR	3,250	2,790	290	170	5,220	3,190	570	1,460	7,890	1,020	1,190	7,580	2,430	2,460
APR	3,030	2,480	90	460	2,950	2,220	150	580	7,650	560	1,220	7,220	1,160	1,960
MAY	3,240	2,750	290	200	6,420	4,740	600	1,080	7,690	1,110	980	6,980	2,290	2,030
JUN	3,120	2,540	110	470	3,200	2,540	240	420	7,230	650	990	6,930	1,300	2,010
JUL	3,040	2,600	110	330	4,380	3,740	140	500	7,360	1,230	1,140	7,220	2,200	2,230
AUG	3,130	2,660	20	450	2,550	2,040	80	430	7,430	1,090	1,180	7,110	2,030	2,240
SEP	1,920	1,600	250	70	2,130	1,410	360	360	5,380	1,110	1,110	5,360	2,060	2,120
OCT	2,190	1,680	160	350	2,150	1,730	190	230	5,180	330	980	5,080	630	1,370
NOV	2,160	1,300	610	250	3,530	1,480	700	1,350	3,760	590	970	4,140	940	1,780
DEC	3,350	2,350	570	430	2,830	2,000	670	160	5,900	550	940	4,710	880	1,130
1982														
JAN	2,570	2,320	50	200	2,970	2,570	30	370	6,130	540	1,050	5,720	1,160	1,350
FEB	2,530	2,150	10	370	3,020	2,440	30	550	5,980	520	1,070	4,540	1,300	1,390
MAR	3,440	2,910	150	380	2,920	2,580	250	80	7,620	670	1,110	5,760	1,060	1,420
APR	3,980	2,220	730	1,030	5,370	3,330	840	1,200	7,340	900	1,820	7,230	1,570	2,140
MAY	3,750	2,430	660	660	3,940	2,540	750	650	7,830	1,140	1,250	6,900	1,990	1,430
JUN	2,810	2,580	10	220	3,170	2,660	150	360	7,520	360	1,050	7,150	930	1,260
JUL	3,090	2,560	100	430	4,380	3,640	160	580	7,950	720	1,690	7,880	1,100	1,950
AUG	4,000	3,450	350	200	5,520	4,930	400	190	10,250	890	1,030	8,930	1,300	1,120
SEP	5,310	5,060	90	160	5,320	4,840	190	290	10,250	1,180	760	9,020	1,920	950
Year-to-date														
1982	31,480	25,680	2,150	3,650	36,610	29,530	2,800	4,270						
1981	28,780	24,580	1,630	2,570	33,390	25,310	2,730	5,350						
1980	27,620	24,220	1,830	1,570	24,890	19,590	3,140	2,160						
1979	32,750	25,370	2,130	5,250	34,530	25,710	3,030	5,790						

Notes: [1]All dollar amounts are in millions.

[2]Total is seasonally adjusted separately from components. Total, therefore, may not equal sum of parts.

[3]Series labeled non-residential are also inclusive of farm data.

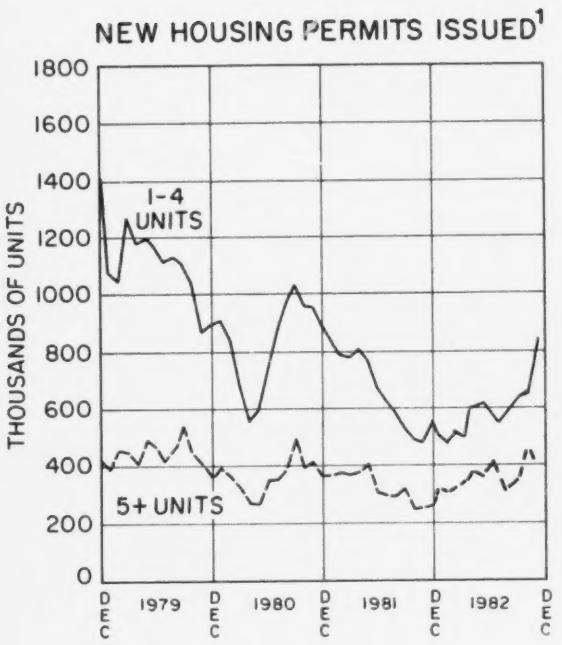
[4]Percent coverage equals outstanding commitments received from investors divided by the sum of outstanding end of month inventory and outstanding commitments issued to borrowers, all multiplied by 100.

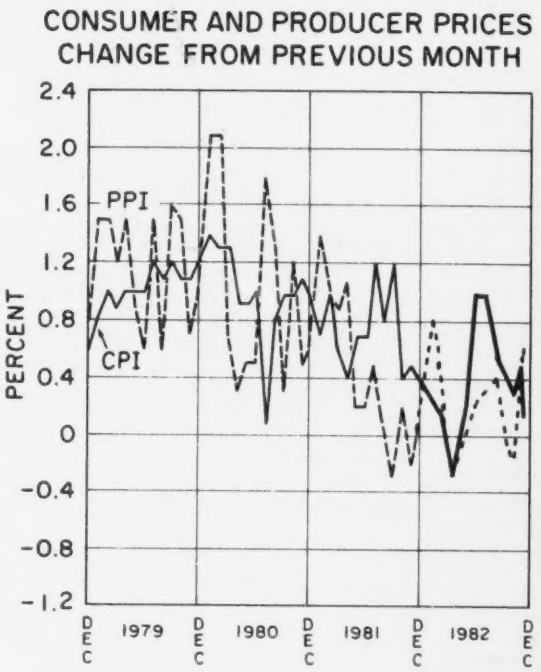
Year and Month[1]	OUTSTANDING END OF MONTH INVENTORY									COVERAGE[4]			SERVICING VOLUME		
		1-4 Units				5+ Units									
	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1980															
DEC	5,840	4,070	1,030	870	2,170	1,010	410	600	760	65	76	114	194,990	20,820	33,490
1981															
JAN	9,200	5,200	1,630	1,360	2,210	1,310	490	820	2,690	43	84	58	200,590	19,820	36,230
FEB	9,300	5,380	1,660	1,410	2,310	1,030	160	870	2,890	44	85	46	206,300	19,790	38,430
MAR	9,260	5,600	1,770	1,510	2,330	830	160	670	2,830	56	131	61	212,440	20,220	40,220
APR	9,860	5,990	1,950	1,580	2,460	1,020	160	860	2,850	53	73	48	217,840	20,350	39,330
MAY	10,450	6,510	2,040	1,750	2,720	910	160	750	3,030	49	113	51	217,660	19,900	39,070
JUN	10,430	6,560	2,090	1,700	2,760	850	160	690	3,020	50	87	50	219,820	20,330	39,370
JUL	10,230	6,380	2,050	1,680	2,650	1,000	160	840	2,850	53	99	56	229,870	21,710	42,720
AUG	11,100	6,540	2,100	1,670	2,770	990	150	840	3,570	51	98	47	228,510	22,610	43,420
SEP	10,580	6,030	1,870	1,580	2,580	810	190	620	3,740	47	107	44	198,150	19,600	38,870
OCT	12,640	5,940	1,890	1,490	2,560	1,030	290	740	5,670	46	46	21	210,350	19,380	42,790
NOV	9,810	5,450	1,720	1,360	2,370	1,030	290	740	3,330	45	58	42	196,060	21,110	35,620
DEC	9,610	5,390	1,670	1,300	2,420	930	260	670	3,290	42	59	27	227,060	24,100	39,530
1982															
JAN	5,320	3,450	690	500	2,260	750	200	550	1,120	60	90	62	229,420	24,740	34,760
FEB	5,370	3,040	590	460	1,990	1,040	390	650	1,010	50	83	67	227,330	23,310	34,640
MAR	6,140	3,830	790	490	2,550	1,010	20	990	1,310	50	63	59	238,990	27,350	32,820
APR	6,830	3,810	800	540	2,470	1,230	20	1,210	1,780	65	74	59	243,550	25,950	33,800
MAY	6,540	3,790	790	550	2,450	1,690	10	1,680	1,060	59	70	62	246,640	26,190	36,430
JUN	4,270	3,510	910	610	1,990	470	10	460	290	65	112	94	255,790	26,790	36,350
JUL	7,590	4,040	950	740	2,350	1,790	200	1,590	1,760	66	44	57	248,620	21,050	41,680
AUG	7,580	4,570	1,170	720	2,680	1,830	210	1,620	1,180	60	48	51	274,190	23,440	41,630
SEP	8,970	4,380	1,090	720	2,570	3,530	210	3,320	1,060	62	41	51	265,070	24,230	38,530

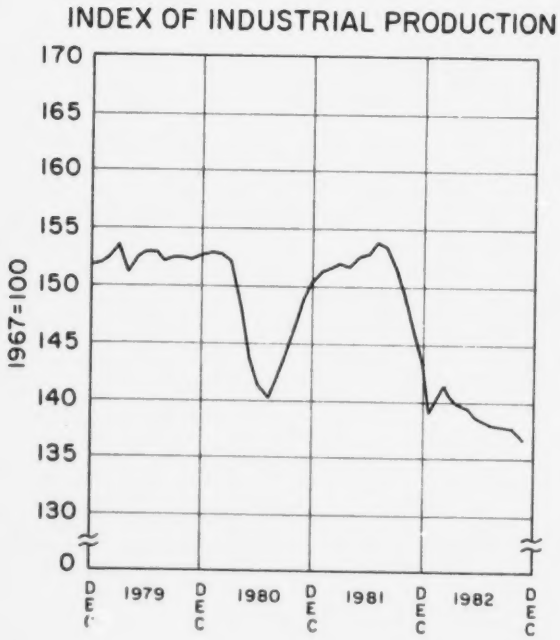
CONSTRUCTION AND LAND LOAN ACTIVITY

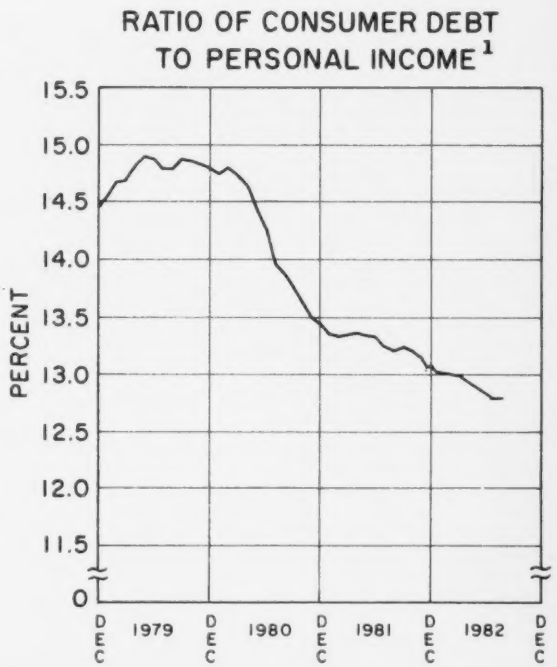
Year and Month[1]	DISBURSEMENTS DURING MONTH					CONSTRUCTION LOANS CLOSED				END OF MONTH INVENTORY				
	Total	1-4 Units	5+ Units	Non-Res.	Land Loans	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Land Loans
1980														
DEC	280	90	80	110	210	1,220	370	180	670	2,830	760	840	1,230	860
1981														
JAN	220	70	50	100	80	530	380	40	110	2,690	930	710	1,050	880
FEB	250	100	50	100	170	650	420	110	120	3,170	1,030	720	1,420	1,030
MAR	290	120	60	110	180	560	380	70	110	3,130	990	730	1,410	980
APR	390	130	80	180	100	800	640	50	110	3,020	960	690	1,370	960
MAY	260	120	50	90	90	520	330	110	80	2,630	960	640	1,030	950
JUN	220	90	50	80	120	620	450	50	120	2,510	900	630	980	880
JUL	360	170	60	130	150	520	380	30	110	3,040	1,080	780	1,180	1,000
AUG	270	110	60	100	100	470	320	30	120	3,550	1,040	860	1,650	990
SEP	310	130	70	110	110	460	280	60	120	3,140	1,100	820	1,220	900
OCT	280	100	50	130	90	1,170	880	50	240	3,340	1,030	710	1,600	1,160
NOV	290	110	60	120	100	330	320	0	10	2,980	940	800	1,240	970
DEC	280	120	70	90	110	1,820	1,820	0	0	3,140	950	850	1,340	1,180
1982														
JAN	230	60	40	130	110	160	150	0	10	2,880	820	690	1,370	1,270
FEB	280	90	50	140	230	770	760	0	10	3,070	840	770	1,460	1,450
MAR	240	120	30	90	120	570	560	0	10	2,880	840	690	1,360	1,240
APR	300	120	30	150	120	600	600	0	0	2,820	820	710	1,300	1,360
MAY	220	80	60	80	140	260	250	0	10	2,860	750	740	1,370	1,230
JUN	280	100	60	120	110	210	190	10	10	3,650	740	890	2,020	1,080
JUL	220	80	50	90	40	190	170	10	10	3,450	730	870	1,850	450
AUG	200	100	30	70	50	290	270	10	10	2,900	760	810	1,330	480
SEP	270	100	60	110	40	290	280	0	10	3,430	850	840	1,740	510

Year and Month[1]	COMMITMENTS TO BORROWERS: LAND AND CONSTRUCTION LOANS							NOTES PAYABLE			
	Issued During Month				End of Month Balances				End of Month Balances		
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Total	Comm. Paper	To Parent	To Others
1980												
DEC	1,360	290	500	570	5,040	900	1,620	2,520	10,110	1,960	3,710	4,440
1981												
JAN	950	180	410	360	4,680	1,070	2,010	1,600	9,020	2,090	3,290	3,640
FEB	1,510	290	440	780	5,940	1,090	1,900	2,950	9,430	2,050	3,470	3,910
MAR	1,430	340	380	710	6,810	980	2,640	3,190	9,670	1,960	3,580	4,130
APR	1,300	420	230	650	5,200	920	1,410	2,870	9,690	1,840	3,430	4,420
MAY	1,260	340	470	450	4,500	910	2,310	1,280	9,810	1,370	3,300	4,540
JUN	750	290	260	200	3,640	900	1,560	1,180	10,150	1,890	3,460	4,800
JUL	930	350	210	370	3,920	900	1,860	1,160	10,570	1,900	3,840	4,830
AUG	1,110	340	170	600	5,720	850	1,880	2,990	10,790	1,860	4,420	4,510
SEP	1,010	210	320	480	3,890	890	1,630	1,370	9,220	1,830	3,460	3,930
OCT	990	340	30	620	5,780	920	1,200	3,660	8,690	1,730	2,920	4,040
NOV	1,210	350	530	330	3,730	750	1,520	1,460	8,590	1,330	3,430	3,830
DEC	1,320	420	500	400	3,870	770	1,430	1,670	9,100	880	3,830	4,390
1982												
JAN	1,380	550	420	410	3,630	630	1,270	1,730	9,170	900	4,000	4,270
FEB	760	180	220	360	3,600	490	1,360	1,750	9,500	950	3,760	4,790
MAR	1,300	560	190	550	3,910	590	1,530	1,800	10,090	1,090	4,900	4,100
APR	1,620	450	650	520	6,360	640	2,130	3,580	11,260	730	4,380	6,140
MAY	1,510	250	810	450	5,890	540	2,700	2,650	10,500	860	3,910	5,730
JUN	750	270	250	230	6,800	430	1,780	4,590	12,650	840	4,860	6,950
JUL	1,040	190	330	520	8,910	580	2,240	6,090	10,530	1,340	4,150	5,040
AUG	970	390	350	230	4,390	800	1,510	2,080	11,800	1,160	4,480	6,160
SEP	870	290	430	150	6,300	1,000	2,770	2,530	10,670	1,530	4,590	4,550









[1] Seasonally Adjusted Annual Rate.

Sources: Federal Reserve Board, Commerce Department.

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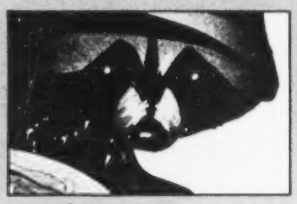

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Contributing Editor, Janice T. Stango

Advertising, J. Michael McFall
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MORTGAGE MARKET TRENDS

February 14, 1983

After 18 months of recession, there are now signals that an economic recovery is beginning this quarter. Although real gross national product declined 2.5 percent last quarter, final sales (GNP less inventory changes) grew by 3 percent (annual rates). This encouraging development suggests that the drawdown in inventories is ending, paving the way for industrial production and employment to increase. The unemployment rate for January was down by 0.4 percent, and the average work week increased, a sure sign that business is feeling pressure to hire more workers. Retail sales were up in December and January, helped by lower interest rates that spurred auto sales and other big ticket purchases. Some of the delayed effects of the 1982 income tax cut will be felt this quarter or by April 15th, and the upturn in housing starts since October is now generating spending for construction and consumer durables. Increased defense orders are pumping money into almost every Congressional District. The Federal Reserve has been facilitating reduced interest rates to hasten the recovery, and there appears to be little risk of renewed inflation while so much excess capacity remains in the labor and manufacturing sectors. Although the short-term outlook is much improved since fall, there are major long-term problems that demand immediate attention to permit the emerging recovery to be sustained.

In both the President's fiscal year 1984 budget and in the latest Congressional Budget Office report, the annual budget deficits of the federal government are forecast to increase through 1988 to a level of near $300 billion, under current law. The deficits expected for this year and next, at almost $200 billion or 6 percent of GNP, probably can be absorbed at the price of a slower than average recovery and lingering high unemployment. However, the five-year trend of further increases in the deficit, which would average 5.6 percent of GNP over the 1984-1988 period, is intolerable and must be remedied soon by the Congress. Without a major redirection in fiscal policy, interest rates will begin to rise by 1984-1985, ending the recovery and creating the most dangerous economic situation in this country since the 1930s. The policy choices suggested in the President's budget do not go far enough in closing the out-year budget gaps.

The growing deficit problem is the result of three inconsistent policy choices that must now be reconciled to permit a return to steady economic growth:

1. The three year, 25 percent cut in personal income tax rates (Reagan's program) and the immediate cut in the top rate from 70 percent to 48 percent, followed by annual, indexed tax cuts (the Democratic program);
2. The automatic annual adjustment of many social spending and pension benefits for inflation; and
3. The commitment to increase defense spending by 4 to 8 percent annually in real terms.

Barring sudden and massive cuts in entire programs, or large tax increases, little can be done by fiscal 1984 to ease the deficit problem. However, actions taken this year could begin to produce measurable benefits in the 1985-1988 period, when the problem will be much worse and when the credit needs of a growing economy could clash with government borrowing and push up interest rates. A further reason for dealing with the problem this year is that 1984 is a major election year, and few expect tough political choices to be made in that environment.

The Congressional Budget Office report, "Reducing the Budget: Spending and Revenue Options," presents 18 policy options to reduce the out-year deficits, and it calls on Congress to set specific goals for the budget shortfall through 1988. Congress must reevaluate all programs, including defense, entitlements, and other domestic spending. While it is difficult to generate near-term savings in defense, actions taken this year could be producing sizable savings in three to five years when they will be badly needed. Entitlement programs continue to grow, with no identifiable source of funding except general revenue. Although there is great political reluctance to cut current benefits, it is ironic that many current Social Security recipients will receive two to seven times the value of their and their employers' contributions tax-free. Fiscal year 1984 non-defense, non-interest domestic spending is slated to be 4 percent below its 1981 level in real terms, but it will be almost twice as high as it was in 1970. In order to achieve lower interest rates and sustained economic growth, we must reevaluate the entire budget and reconcile federal spending and revenue.

Dr. Warren Matthews
Senior Economist

MORTGAGE MARKET TRENDS—MARCH 1983

RESIDENTIAL STRUCTURES, BY UNIT TYPE
(Units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES						HOUSING STARTS					
	Actual			Seasonally Adjusted Annual Rate			Actual			Seasonally Adjusted Annual Rate		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1981												
SEP	81	49	32	850	533	317	85	64	20	920	708	216
OCT	66	44	23	722	482	240	86	58	28	864	590	274
NOV	54	35	19	723	476	247	64	47	17	863	651	212
DEC	57	35	22	789	544	245	60	40	21	899	635	264
1982												
JAN	47	29	19	822	528	304	48	34	14	895	668	227
FEB	50	32	18	795	509	286	51	37	14	924	642	282
MAR	79	51	28	851	541	310	79	59	20	941	697	244
APR	82	53	29	879	526	353	85	62	23	888	637	251
MAY	81	53	28	944	590	354	99	67	32	1,075	720	355
JUN	89	59	30	929	607	322	91	71	20	906	701	205
JUL	91	53	37	1,062	585	477	107	70	37	1,195	729	466
AUG	80	54	26	888	580	308	96	70	26	1,002	712	290
SEP	100	61	39	1,003	657	346	105	71	34	1,111	762	349
OCT	100	63	37	1,172	737	435	111	73	38	1,129	767	362
NOV	100	64	36	1,284	843	441	109	73	36	1,404	962	442
DEC	74p	49p	25p	1,111p	776p	335p	81p	59p	25p	1,222p	886p	336p
12 months												
1982	973	887	375				1,062	746	319			
1981	969	657	314				1,086	798	289			
1980	1,170	814	356				1,292	961	331			
1979	1,552	1,107	445				1,745	1,316	429			

VALUE OF NEW CONSTRUCTION PUT IN PLACE
(Dollars in millions)

Year and Month	Seasonally Adjusted Annual Rate			
	Total	1 Unit	2+ Units	Non-Res.
1981				
SEP	117,067	38,480	17,429	61,158
OCT	113,897	36,185	16,575	61,157
NOV	113,057	34,608	16,377	62,072
DEC	113,827	34,288	16,863	62,676
1982				
JAN	115,136	35,446	15,821	63,869
FEB	115,975	34,557	15,800	65,618
MAR	117,171	34,725	17,563	64,883
APR	113,782	34,368	15,198	64,216
MAY	115,344	34,388	16,593	64,363
JUN	116,809	34,698	15,060	67,051
JUL	115,489	35,269	16,174	64,046
AUG	115,354	35,198	16,875	63,281
SEP	118,346	35,423	17,560	65,363
OCT	117,877	35,890	16,460	65,527
NOV	119,436	37,697	17,032	64,707
DEC	120,545p	40,305p	16,752p	63,488p

HOUSE SALES
(Units in thousands)

Year and Month	EXISTING HOUSES[1]	NEW HOUSES		
		Sold	Available For Sale	Months Supply at Current Rate
1981				
SEP	184	27	298	11.2
OCT	173	29	290	10.1
NOV	141	27	278	10.5
DEC	128	29	272	9.4
1982				
JAN	114	27	273	10.2
FEB	131	28	267	9.4
MAR	176	35	268	7.6
APR	169	33	263	8.0
MAY	165	37	259	8.0
JUN	185	34	253	7.5
JUL	179	31	251	8.1
AUG	181	34	247	7.9
SEP	163	40	248	6.8
OCT	168	41	245	6.1
NOV	164	39	251	5.4
DEC	144p	33p	255p	5.8p
12 months				
1982	1,939	412		
1981	2,346	430		
1980	2,881	535		
1979	3,701	709		

RESIDENTIAL STRUCTURES, BY REGION
(units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES								STARTS							
	Actual				Seasonally Adjusted Annual Rate				Actual				Seasonally Adjusted Annual Rate			
	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West
1981																
SEPT	10	12	40	19	96	111	427	216	12	13	42	17	128	121	476	195
OCT	10	11	30	15	107	104	333	178	11	18	36	21	103	154	378	229
NOV	7	8	28	11	85	98	382	158	7	10	x	11	80	128	497	158
DEC	7	6	32	12	90	100	431	168	8	7	33	13	112	125	483	179
1982																
JAN	3	2	32	10	65	76	512	179	3	3	32	10	76	82	463	157
FEB	4	3	33	11	86	76	473	160	3	2	36	10	110	70	591	152
MAR	8	8	47	16	88	87	490	186	7	7	49	16	111	97	540	193
APR	9	10	46	17	97	105	506	171	9	14	47	15	106	158	470	154
MAY	10	13	41	17	110	145	488	201	12	16	54	18	126	148	612	189
JUN	10	12	46	20	105	118	499	207	10	18	44	19	93	157	462	194
JUL	9	12	45	24	101	140	555	266	11	15	62	18	99	161	743	192
AUG	13	10	42	17	113	106	485	184	12	16	49	16	112	166	543	181
SEP	12	15	51	21	114	131	530	228	16	15	54	20	137	116	514	223
OCT	13	14	51	22	135	139	635	263	10	20	58	23	96	160	622	251
NOV	14	13	56	17	171	160	718	235	14	15	63	17	175	183	811	235
DEC	6p	7p	41p	21p	95p	132p	599p	285p	7p	7p	47p	21p	98p	140p	699p	285p
12 months																
1982	111	116	643	213					114	148	595	203				
1981	110	132	482	246					114	164	563	237				
1980	118	186	558	312					124	217	651	300				
1979	167	289	628	468					178	349	748	471				

CONSTRUCTION STATUS
(units in thousands)

Year and Month	UNDER CONSTRUCTION			COMPLETIONS		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1981						
SEPT	800	513	287	108	81	27
OCT	767	488	279	117	80	37
NOV	732	465	267	92	66	26
DEC	682	427	255	105	75	30
1982						
JAN	657	413	244	72	48	24
FEB	644	407	237	63	41	22
MAR	646	412	234	73	50	23
APR	653	419	234	75	53	22
MAY	666	425	241	86	61	25
JUN	671	438	232	85	76	28
JUL	690	442	248	85	64	21
AUG	690	442	248	91	66	25
SEP	713	450	263	84	63	21
OCT	717	448	269	102	71	30
NOV	732	453	279	94	68	26
DEC	720p	442p	278p	95p	68p	27p
12 months						
1982				1,004	740	294
1981				1,062	783	280
1980				1,496	1,067	429
1979				1,871	1,462	445

INTEREST RATES AND YIELDS

Year and Month	1-4 UNIT MORTGAGES					APARTMENTS[2]	CONSTRUCTION LOANS[3] ALL TYPES	FNMA		GNMA Current Securities Yield	SELECTED SECURITIES				SPREADS (Basis Points)	
	FHA Opinion Survey			FHLBB Survey				FMS Auction Yields on 4 mo. Commitments[4]			Aaa Utility New Issue	U.S. Gov't.		Prime Commercial Paper 90-119 Days	FHA New Minus Aaa Utility	GNMA minus 10-yr Gov't.
	FHA New[1]	Conventional		Conventional				FHA/VA	Conv.			10-yr	26-wk			
		New	Existing	New	Existing											
1981																
SEPT	18.55	18.30	18.35	15.37	15.83	19.13		19.003	19.100	17.33	17.21	15.32	15.057	16.06	134	201
OCT	17.43	18.05	18.05	15.65	16.01	18.87		18.180	18.610	16.89	16.94	15.15	14.013	14.85	49	232
NOV	15.98	16.95	17.00	16.38	16.38	16.87	19.46	16.709	17.250	15.09	15.56	13.39	11.530	12.16	31	170
DEC	16.43	17.00	17.00	15.89	16.02	17.38		16.630	16.931	15.38	15.20	13.72	11.471	12.12	123	166
1982																
JAN	17.38	17.30	17.30	15.25	15.92	18.13		17.890	17.330	16.22	15.68	14.59	12.930	13.09	170	163
FEB	17.10	17.20	17.20	15.12	15.73	17.38	17.86	17.993	17.912	16.24	15.93	14.43	13.709	14.53	117	181
MAR	16.41	16.80	16.85	15.67	15.65	16.88		17.265	17.064	15.83	15.26	13.86	12.621	13.80	115	197
APR	16.31	16.65	16.75	15.84	16.00	16.88		n.a.	16.678	15.56	15.83	13.87	12.861	14.06	48	169
MAY	16.19	16.50	16.55	15.89	16.11	16.88	17.80	16.267	16.310	15.26	15.22	13.62	12.220	13.42	97	164
JUN	16.73	16.75	16.80	15.40	15.56	17.62		17.216	16.700	15.89	15.92	14.30	12.310	13.96	81	159
JUL	16.29	16.50	16.55	15.70	15.52	17.13		17.199	16.820	15.54	15.61	13.95	12.236	12.94	68	159
AUG	14.61	15.40	15.45	15.71	15.63	15.62	17.19	15.780	15.740	14.31	13.95	13.06	10.105	10.15	66	125
SEP	14.03	15.05	15.05	14.99	15.30	15.37		n.a.	15.363	13.51	13.50	12.34	9.539	10.36	53	117
OCT	12.99	13.95	13.95	14.41	14.95	14.13		n.a.	13.917	12.86	12.20	10.91	8.299	9.20	79	195
NOV	12.82	13.80	13.80	13.81	14.29	13.88	15.14	n.a.	13.748	11.85	11.76	10.55	8.319	8.69	106	130
DEC	12.80	13.62	13.64	13.70p	13.98p	13.37		n.a.	13.729	12.00	11.84	10.54	8.225	8.51	96	146

LONG-TERM MORTGAGE LOANS CLOSED

(Dollars in Millions)

Year and Month	BY TYPE OF INSTITUTION					BY TYPE OF UNIT, AND INSTITUTION														
						1-4 Units					5+ Units					Nonresidential				
	Total	Mtg. Bankers	S&Ls	Banks*	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks*	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks*	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks*	Life Cos.
1981																				
JUL	11,313	2,390	4,528	3,648	747	8,899	2,480	4,006	2,371	42	680	200	220	133	55	2,356	260	302	1,144	650
AUG	10,360	2,640	3,843	3,114	763	8,121	2,480	3,434	2,161	46	1,580	1,260	167	131	22	1,949	190	242	822	695
SEP	10,052	2,190	3,496	3,553	813	7,357	1,880	3,063	2,363	51	444	100	114	152	78	2,251	210	319	1,038	684
OCT	10,472	2,550	3,206	3,634	1,082	6,109	1,580	2,818	2,181	30	1,024	710	143	152	19	2,839	260	245	1,301	1,033
NOV	7,767	1,430	2,809	2,778	750	5,243	1,170	2,421	1,620	32	432	130	159	126	17	2,092	130	229	1,032	701
DEC	10,273	2,790	3,302	3,119	1,062	6,231	1,630	2,669	1,887	45	1,265	880	184	174	27	2,777	280	449	1,058	990
1982																				
JAN	7,593	1,780	2,410	2,471	780	4,678	1,250	1,975	1,440	16	718	350	168	168	26	2,197	180	267	863	738
FEB	8,558	2,420	2,600	2,966	596	4,989	1,230	2,097	1,620	42	1,509	1,030	246	178	54	2,060	160	257	1,168	500
MAR	9,586	2,130	3,160	3,465	795	6,398	1,860	2,626	1,872	39	523	130	207	129	51	2,665	140	327	1,464	705
APR	9,119	2,190	3,100	3,071	684	6,204	1,900	2,582	1,674	45	536	110	177	172	70	2,379	180	341	1,225	569
MAY	8,713	2,490	3,193	2,899	517	6,206	2,030	2,541	1,597	38	590	300	163	111	15	2,314	160	489	1,191	464
JUN	11,242	2,890	4,041	3,826	485	7,863	2,560	3,258	1,995	50	667	160	271	223	13	2,712	170	512	1,608	422
JUL	10,634	2,700	3,427	3,661	846	7,491	2,460	2,922	2,049	60	501	70	206	177	48	2,642	170	299	1,435	738
AUG	10,438	3,040	3,601	3,251	546	7,652	2,740	2,909	1,958	45	613	110	280	210	13	2,173	190	412	1,083	488
SEP	10,887	2,700	3,858	3,855	474	7,961	2,510	3,130	2,276	45	623	80	295	226	22	2,303	110	433	1,353	407
OCT	n.a.	n.a.	3,529	3,764	581	n.a.	n.a.	2,817	2,296	44	n.a.	n.a.	216	210	15	n.a.	n.a.	496	1,258	522
NOV	n.a.	n.a.	4,026	4,458	506	n.a.	n.a.	3,148	2,935	54	n.a.	n.a.	337	107	38	n.a.	n.a.	541	1,416	414

LONG-TERM COMMITMENT ACTIVITY

(Dollars in Millions)

Year and Month	OUTSTANDING					ISSUED DURING MONTH				
	Total	Mtg. Bankers	S&Ls	Banks*	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks*	Life Cos.
1981										
JUN	54,757	10,240	21,449	8,438	14,630	9,994	3,120	4,325	1,717	832
JUL	54,885	11,650	20,686	8,371	14,178	8,861	3,040	3,598	1,739	484
AUG	53,343	11,380	19,741	8,605	13,617	7,728	3,130	3,250	1,035	313
SEP	51,166	9,540	18,654	9,515	13,457	8,049	1,920	2,751	2,521	857
OCT	45,638	7,080	17,897	8,045	12,636	6,491	2,190	2,716	1,233	352
NOV	44,283	6,320	17,416	8,319	12,228	6,238	2,200	2,507	1,167	364
DEC	44,867	7,390	16,887	9,130	11,460	7,413	3,350	2,823	940	300
1982										
JAN	44,154	7,720	16,653	9,025	10,850	6,855	2,570	2,261	1,743	293
FEB	43,174	7,570	16,529	8,794	10,489	6,926	2,530	2,844	1,131	425
MAR	46,557	9,400	16,664	9,630	10,921	9,310	3,440	3,347	1,564	964
APR	49,230	10,060	17,186	11,381	10,719	9,644	3,980	3,390	1,579	710
MAY	50,347	10,220	17,362	12,345	10,598	9,253	3,750	3,350	1,627	533
JUN	49,533	9,710	17,327	12,543	10,160	8,330	2,810	3,597	1,648	300
JUL	50,172	10,360	16,951	13,436	9,729	8,867	3,090	3,537	1,679	545
AUG	52,268	12,170	17,748	13,192	9,505	9,816	4,000	3,847	1,615	434
SEP	52,329	12,190	18,241	13,108	9,295	11,133	5,310	3,888	1,466	495
OCT	n.a.	n.a.	19,328	12,512	9,280	n.a.	n.a.	4,024	1,620	710
NOV	n.a.	n.a.	20,785	13,457	9,670	n.a.	n.a.	5,017	1,819	1,330

MORTGAGE INSURANCE

(Units in thousands, dollars in millions)

Year and Month	APPLICATIONS RECEIVED UNITS			INSURED							
	FHA/VA			Total		FHA (203)		VA		Private	
	Total	FHA/VA	Private	Units	Amt.	Units	Amt.	Units	Amt.	Units	Amt.
1981											
JUN	81	41	41	64	3,272	14	600	16	876	34	1,796
JUL	74	38	36	59	3,043	12	495	12	644	35	1,904
AUG	68	38	32	52	2,800	10	422	12	696	30	1,682
SEP	62	30	32	55	2,876	15	620	11	660	29	1,596
OCT	51	24	27	43	2,310	8	341	9	485	26	1,484
NOV	47	24	23	41	2,119	10	389	8	464	23	1,266
DEC	62	38	24	38	1,957	8	311	6	357	24	1,289
1982											
JAN	48	31	17	31	1,726	7	270	6	327	18	1,129
FEB	54	32	22	32	1,785	8	356	7	393	17	1,036
MAR	69	37	32	39	2,193	9	373	7	421	23	1,399
APR	63	34	29	35	1,976	8	322	6	374	21	1,280
MAY	67	31	36	43	2,222	8	335	6	328	29	1,559
JUN	83	40	43	50	2,743	9	408	8	443	33	1,892
JUL	84	38	46	52	2,687	9	375	9	482	34	1,830
AUG	82	36	46	54	2,997	8	352	10	573	36	2,072
SEP	91	47	44	60	3,248	11	462	13	743	36	2,043
OCT	103	59	44	52	2,826	10	425	6	385	36	2,016
NOV	104	60	44	53	2,920	11	498	8	455	34	1,967

SECONDARY MARKET ACTIVITY

(Dollars in Millions)

Year and Month	FNMA					FHLMC			GNMA	
	4-Month Commitments				12 Month Convert Standby	Comm.	Purc.	Sold	Pass-Through Securities	
	FHA/VA		Conventional							
	Bid	Accept	Bid	Accept					Applications	Issued
1981										
APR	175	147	127	92	22	118	125	97	2,962	1,404
MAY	282	252	281	156	69	130	480	421	4,296	1,245
JUN	298	265	307	224	204	293	139	94	4,380	1,382
JUL	405	354	306	238	201	865	242	238	2,050	1,589
AUG	602	352	624	252	113	308	101	44	2,339	959
SEP	400	133	359	120	0	365	393	249	8,106	1,184
OCT	82	37	43	27	0	1,834	290	244	571	739
NOV	105	41	149	63	0	2,011	416	598	1,298	795
DEC	81	34	84	48	0	203	1,140	1,156	1,729	1,304
1982										
JAN	51	31	32	12	0	3,280	1,629	1,628	1,543	902
FEB	51	23	29	14	0	565	1,228	1,115	1,789	960
MAR	57	35	65	32	0	2,523	1,481	1,564	2,223	1,335
APR	n.a.	n.a.	38	23	0	2,824	2,144	2,176	1,219	835
MAY	42	7	39	23	0	2,692	1,214	1,194	1,812	1,194
JUN	33	7	59	33	0	3,166	1,581	1,564	2,800	1,530
JUL	11	1	37	24	0	2,181	2,236	2,205	2,116	1,011
AUG	30	6	70	43	0	2,768	2,529	2,618	2,850	1,383
SEP	17	0	28	9	0	2,892	1,798	1,924	16,429	1,521
OCT	24	0	25	11	0	2,506	2,000	2,200	1,297	1,441
NOV	3	0	14	8	0	1,714	1,917	2,177	1,692	1,564

MORTGAGE BANKERS CONSTRUCTION AND LAND LOAN ACTIVITY

(Dollars in Millions)

Year and Month	DISBURSEMENTS DURING MONTH					OUTSTANDING COMMITMENTS TO BORROWERS			
	Construction				Land Loans				
	Total	1-4 Units	5+ Units	Non-res.		Total	1-4 Units	5+ Units	Non-res.
APR	390	130	80	180	100	5,200	920	1,410	2,870
MAY	260	120	50	90	90	4,500	910	2,310	1,280
JUN	220	90	50	80	120	3,640	900	1,560	1,180
JUL	360	170	60	130	150	3,920	900	1,860	1,160
AUG	270	110	60	100	100	5,720	850	1,880	2,990
SEP	310	130	70	110	110	3,890	890	1,630	1,370
OCT	280	100	50	130	90	5,780	920	1,200	3,660
NOV	240	90	50	100	110	3,570	630	1,500	1,440
DEC	280	120	70	90	90	3,870	770	1,430	1,670
1982									
JAN	230	60	40	130	110	3,630	630	1,270	1,730
FEB	280	90	50	140	230	3,600	490	1,360	1,750
MAR	240	120	30	90	120	3,910	590	1,530	1,800
APR	300	120	30	150	120	6,360	640	2,130	3,580
MAY	220	80	60	80	140	5,890	540	2,700	3,650
JUN	280	100	60	120	110	6,800	430	1780	4,590
JUL	220	80	50	90	40	8,030	420	1,820	5,790
AUG	200	100	30	70	50	4,390	800	1,510	2,080
SEP	270	100	60	110	40	6,300	1,000	2,770	2,530
OCT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
NOV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

n.a.-Not available; p-Preliminary

[1]From the National Association of Realtors' "Existing Home Sales" series.

[2]Reflects cumulative total through the latest month for each column.

[3]Secondary market gross yields.

[4]Federal Home Loan Mortgage Corp. Existing construction only.

[5]Federal Reserve's weighted average interest rate for Commercial Banks.

[6]Weighted average gross yields for accepted bids.

[7]Survey of three New York security dealers. Securities for immediate delivery.

[8]Mutual Savings Banks and Commercial Banks.

Sources: American Council of Life Insurance, Board of Governors of the Federal Reserve System, Bureau of the Census, Citicorp Real Estate Inc., Department of Housing and Urban Development, Federal Home Loan Bank Board, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Mortgage Bankers Association of America, National Association of Mutual Savings Banks, National Association of Realtors, Veterans Administration.

MORTGAGE BANKING ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED[1]

Year and Month[3]	SEASONALLY ADJUSTED				NOT SEASONALLY ADJUSTED								
						1-4 Units				5+ Units			
	Total[2]	1-4 Units	5+ Units	Non-Res.	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-[3] Res.
1980													
DEC	2,690	2,160	200	230	2,950	2,300	850	710	740	230	140	90	420
1981													
JAN	3,030	1,750	710	560	2,750	1,620	600	480	540	770	240	530	360
FEB	2,310	1,870	80	390	2,000	1,490	600	470	420	80	20	60	430
MAR	2,940	2,390	260	260	2,570	2,060	850	650	560	230	150	80	280
APR	3,190	2,640	250	270	2,780	2,250	900	660	690	270	30	240	260
MAY	3,230	2,480	480	390	2,970	2,320	860	650	810	270	160	110	380
JUN	2,920	2,510	80	290	2,880	2,570	800	630	1,140	90	10	80	220
JUL	2,870	2,270	180	300	2,940	2,480	720	600	1,160	200	140	60	260
AUG	3,290	2,120	1,300	240	3,930	2,480	740	630	1,110	1,260	20	1,240	190
SEP	1,890	1,640	60	210	2,190	1,880	480	390	1,010	100	40	60	210
OCT	2,210	1,310	1,140	270	2,550	1,580	450	330	800	710	0	710	260
NOV	1,560	1,350	130	100	1,500	1,270	360	290	620	130	20	110	100
DEC	2,530	1,500	780	140	2,790	1,630	560	380	690	880	0	880	280
1982													
JAN	1,980	1,400	310	270	1,780	1,250	390	330	530	350	150	200	180
FEB	2,840	1,570	1,010	150	2,420	1,230	430	270	530	1,030	890	140	160
MAR	2,420	2,130	150	140	2,130	1,860	570	320	970	130	40	90	140
APR	2,470	2,200	110	170	2,190	1,900	560	340	1,000	110	10	100	180
MAY	2,800	2,220	530	190	2,490	2,030	650	420	960	300	120	180	160
JUN	2,910	2,500	140	210	2,890	2,560	810	550	1,200	160	130	30	170
JUL	2,630	2,180	70	210	2,700	2,460	760	520	1,180	70	70	0	170
AUG	2,540	2,390	110	240	3,040	2,740	960	620	1,160	110	20	90	190
SEP	2,320	2,190	50	110	2,700	2,510	810	670	1,030	80	20	60	110
Year-to-date													
1982					22,340	18,540	5,940	4,040	8,560	2,340	1,450	890	1,460
1981					25,010	19,150	6,550	5,160	7,440	3,270	810	2,460	2,590
1980					28,910	23,440	9,110	7,570	6,760	1,890	920	970	3,580
1979					30,700	24,790	8,760	8,330	7,700	2,170	640	1,530	3,740

COMMITMENT ACTIVITY: LONG-TERM MORTGAGE LOANS

Year and Month[3]	COMMITMENTS DURING MONTH								OUTSTANDING COMMITMENTS END OF MONTH					
	To Borrowers				From Investors				To Borrowers			From Investors		
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1980														
DEC	2,880	1,860	410	610	3,760	2,000	560	1,200	6,000	760	1,440	6,560	1,340	2,500
1981														
JAN	5,170	4,700	280	190	2,360	1,900	300	160	9,120	970	1,210	6,110	1,910	2,280
FEB	2,880	2,460	190	230	4,180	3,530	290	360	9,110	610	1,200	6,310	1,390	1,890
MAR	3,250	2,790	290	170	5,220	3,190	570	1,460	7,890	1,020	1,190	7,580	2,430	2,460
APR	3,030	2,480	90	460	2,950	2,220	150	580	7,650	560	1,220	7,220	1,160	1,960
MAY	3,240	2,750	290	200	6,420	4,740	600	1,080	7,690	1,110	980	6,900	2,290	2,030
JUN	3,120	2,540	110	470	3,200	2,540	240	420	7,230	650	990	6,930	1,300	2,010
JUL	3,040	2,600	110	330	4,380	3,740	140	500	7,360	1,230	1,140	7,220	2,200	2,230
AUG	3,130	2,660	20	450	2,550	2,040	80	430	7,430	1,090	1,180	7,110	2,030	2,240
SEP	1,920	1,600	250	70	2,130	1,410	360	360	5,380	1,110	1,110	5,360	2,060	2,120
OCT	2,190	1,680	160	350	2,150	1,730	190	230	5,180	330	980	5,080	630	1,570
NOV	2,160	1,300	610	250	3,530	1,480	700	1,350	3,760	590	970	4,140	940	1,780
DEC	3,350	2,350	570	430	2,830	2,000	670	160	5,900	550	940	4,710	880	1,130
1982														
JAN	2,570	2,320	50	200	2,970	2,570	30	370	6,130	540	1,050	5,720	1,160	1,350
FEB	2,530	2,150	10	370	3,020	2,440	30	550	5,980	520	1,070	4,540	1,300	1,390
MAR	3,440	2,910	150	380	2,920	2,580	250	80	7,620	670	1,110	5,760	1,060	1,420
APR	3,980	2,220	730	1,030	5,370	3,330	840	1,200	7,340	900	1,820	7,230	1,570	2,140
MAY	3,750	2,430	660	660	3,940	2,540	750	650	7,830	1,140	1,250	6,900	1,990	1,430
JUN	2,810	2,580	10	220	3,170	2,660	150	360	7,520	360	1,050	7,150	930	1,260
JUL	3,090	2,560	100	430	4,380	3,640	160	580	7,950	720	1,690	7,880	1,100	1,950
AUG	4,000	3,450	350	200	5,520	4,930	400	190	10,250	890	1,030	8,930	1,300	1,120
SEP	5,310	5,060	90	160	5,320	4,840	190	290	10,250	1,130	760	9,020	1,920	950
Year-to-date														
1982	31,480	25,680	2,150	3,650	36,610	29,530	2,800	4,270						
1981	28,780	24,580	1,630	2,570	33,390	25,310	2,730	5,350						
1980	27,620	24,220	1,830	1,570	24,890	19,590	3,140	2,160						
1979	32,750	25,370	2,130	5,250	34,530	25,710	3,030	5,790						

Notes: [1]All dollar amounts are in millions.

Total is seasonally adjusted separately from components. Total, therefore, may not equal sum of parts.

[3]Series labeled non-residential are also inclusive of farm data.

[4]Percent coverage equals outstanding commitments received from investors divided by the sum of outstanding end of month inventory and outstanding commitments issued to borrowers, all multiplied by 100.

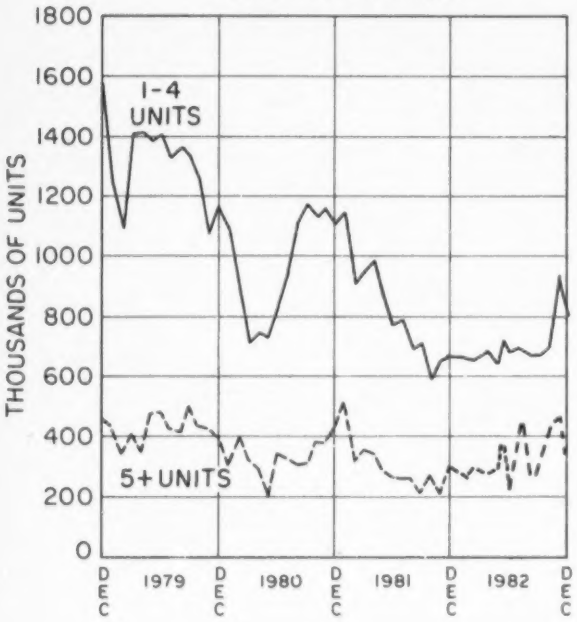
Year and Month*	OUTSTANDING END OF MONTH INVENTORY									COVERAGE*			SERVICING VOLUME		
		1-4 Units				5+ Units									
	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1980															
DEC	5,840	4,070	1,030	870	2,170	1,010	410	600	760	65	76	114	194,990	20,820	33,490
1981															
JAN	9,200	5,200	1,630	1,360	2,210	1,310	490	820	2,690	43	84	58	200,590	19,820	36,230
FEB	9,300	5,380	1,660	1,410	2,310	1,030	160	870	2,890	44	85	46	206,300	19,790	38,430
MAR	9,260	5,600	1,770	1,510	2,330	830	160	670	2,830	56	131	61	212,440	20,220	40,220
APR	9,860	5,990	1,950	1,580	2,460	1,020	160	860	2,850	53	73	48	217,840	20,350	39,330
MAY	10,450	6,510	2,040	1,750	2,720	910	160	750	3,030	49	113	51	217,660	19,900	39,070
JUN	10,430	6,560	2,090	1,700	2,760	850	160	690	3,020	50	87	50	219,820	20,330	39,370
JUL	10,230	6,380	2,050	1,680	2,650	1,000	160	840	2,850	53	99	56	229,870	21,710	42,720
AUG	11,100	6,540	2,100	1,670	2,770	990	150	840	3,570	51	98	47	228,510	22,610	43,420
SEP	10,580	6,030	1,870	1,580	2,580	810	190	620	3,740	47	107	44	198,150	19,600	38,870
OCT	12,640	5,940	1,890	1,490	2,560	1,030	290	740	5,670	46	46	21	210,350	19,380	41,790
NOV	9,810	5,450	1,720	1,360	2,370	1,030	290	740	3,330	45	58	42	196,060	21,110	35,620
DEC	9,610	5,390	1,670	1,300	2,420	930	260	670	3,290	42	59	27	227,060	24,100	39,530
1982															
JAN	5,320	3,450	690	500	2,260	750	200	550	1,120	60	90	62	229,420	24,740	34,760
FEB	5,370	3,040	590	460	1,980	1,040	390	650	1,010	50	83	67	227,330	23,310	34,640
MAR	6,140	3,830	790	490	2,550	1,010	20	990	1,310	50	63	59	238,990	27,350	32,820
APR	6,830	3,810	800	540	2,470	1,230	20	1,210	1,780	65	74	59	243,550	25,950	33,800
MAY	6,540	3,790	790	550	2,450	1,690	10	1,680	1,060	59	70	62	246,640	26,190	36,430
JUN	4,270	3,510	910	610	1,990	470	10	460	290	65	112	94	255,790	26,790	36,350
JUL	7,590	4,040	950	740	2,350	1,790	200	1,590	1,760	66	44	57	248,620	21,050	41,680
AUG	7,580	4,570	1,170	720	2,680	1,830	210	1,620	1,180	60	48	51	274,190	23,440	41,630
SEP	8,970	4,380	1,090	720	2,570	3,530	210	3,320	1,060	62	41	51	265,070	24,230	38,530

CONSTRUCTION AND LAND LOAN ACTIVITY

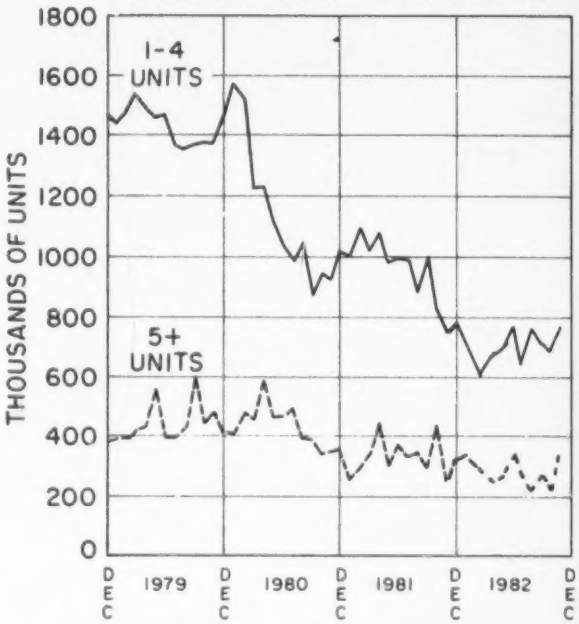
Year and Month*	DISBURSEMENTS DURING MONTH					CONSTRUCTION LOANS CLOSED				END OF MONTH INVENTORY				
	Total	1-4 Units	5+ Units	Non-Res.	Land Loans	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Land Loans
1980														
DEC	280	90	80	110	210	1,220	370	180	670	2,830	760	840	1,230	860
1981														
JAN	220	70	50	100	80	530	380	40	110	2,690	930	710	1,050	880
FEB	250	100	50	100	170	650	420	110	120	3,170	1,030	720	1,420	1,030
MAR	290	120	60	110	180	560	380	70	110	3,130	990	730	1,410	980
APR	390	130	80	180	100	800	640	50	110	3,020	960	690	1,370	960
MAY	260	120	50	90	90	520	330	110	80	2,630	960	640	1,030	950
JUN	220	90	50	80	120	620	450	50	120	2,510	900	630	980	880
JUL	360	170	60	130	150	520	380	30	110	3,040	1,080	780	1,180	1,000
AUG	270	110	60	100	100	470	320	30	120	3,550	1,040	860	1,650	990
SEP	310	130	70	110	110	460	290	60	120	3,140	1,100	820	1,220	900
OCT	280	100	50	130	90	1,170	880	50	240	3,340	1,030	710	1,600	1,160
NOV	290	110	60	120	100	330	320	0	10	2,980	940	800	1,240	970
DEC	280	120	70	90	110	1,820	1,820	0	0	3,140	950	850	1,340	1,180
1982														
JAN	230	60	40	130	110	160	150	0	10	2,880	820	690	1,370	1,270
FEB	280	90	50	140	230	770	760	0	10	3,070	840	770	1,460	1,450
MAR	240	120	30	90	120	570	560	0	10	2,880	840	690	1,360	1,240
APR	300	120	30	150	120	600	600	0	0	2,820	820	710	1,300	1,360
MAY	220	80	60	80	140	260	250	0	10	2,860	750	740	1,370	1,230
JUN	280	100	60	120	110	210	190	10	10	3,650	740	895	2,020	1,080
JUL	220	80	50	90	40	190	170	10	10	3,450	730	870	1,850	450
AUG	200	100	30	70	50	290	270	10	10	2,900	760	810	1,330	480
SEP	270	100	60	110	40	290	280	0	10	3,430	850	840	1,740	510

Year and Month*	COMMITMENTS TO BORROWERS: LAND AND CONSTRUCTION LOANS								NOTES PAYABLE			
	Issued During Month				End of Month Balances				End of Month Balances			
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Total	Comm. Paper	To Parent	To Others
1980												
DEC	1,360	290	500	570	3,040	900	1,620	2,520	10,110	1,980	3,710	4,440
1981												
JAN	950	180	410	360	4,680	1,070	2,010	1,600	9,020	2,090	3,290	3,640
FEB	1,510	290	440	780	5,940	1,090	1,900	2,950	9,430	2,050	3,470	3,910
MAR	1,430	340	380	710	6,810	980	2,640	3,190	9,670	1,960	3,580	4,130
APR	1,300	420	230	650	5,200	920	1,410	2,870	9,690	1,840	3,430	4,420
MAY	1,260	340	470	450	4,500	910	2,310	1,280	9,810	1,970	3,300	4,540
JUN	750	290	260	200	3,640	900	1,560	1,180	10,150	1,890	3,460	4,800
JUL	930	350	210	370	3,920	900	1,860	1,160	10,570	1,900	3,840	4,830
AUG	1,110	340	170	600	5,720	850	1,880	2,990	10,790	1,860	4,420	4,510
SEP	1,010	210	320	480	3,890	890	1,630	1,370	9,220	1,830	3,460	3,930
OCT	980	340	30	620	5,780	920	1,200	3,660	8,690	1,730	2,920	4,040
NOV	1,210	350	530	330	3,730	750	1,520	1,460	8,590	1,330	3,430	3,830
DEC	1,320	420	500	400	3,870	770	1,430	1,670	9,100	880	3,830	4,390
1982												
JAN	1,380	550	420	410	3,630	630	1,270	1,730	9,170	900	4,000	4,270
FEB	760	180	220	360	3,600	490	1,360	1,750	9,500	950	3,760	4,790
MAR	1,300	560	190	550	3,910	590	1,530	1,800	10,090	1,090	4,900	4,100
APR	1,620	450	650	520	6,360	640	2,130	3,580	11,260	730	4,380	6,140
MAY	1,510	250	810	450	5,890	540	2,700	2,650	10,500	860	3,910	5,730
JUN	750	270	250	230	6,500	430	1,780	4,590	12,650	840	4,860	6,950
JUL	1,040	190	330	520	8,910	580	2,240	6,090	10,530	1,340	4,150	5,040
AUG	970	390	350	230	4,390	800	1,510	2,080	11,800	1,160	4,480	6,160
SEP	870	290	430	150	6,300	1,000	2,770	2,530	10,670	1,530	4,590	4,550

HOUSING STARTS[1]



HOUSING UNITS COMPLETED[1]



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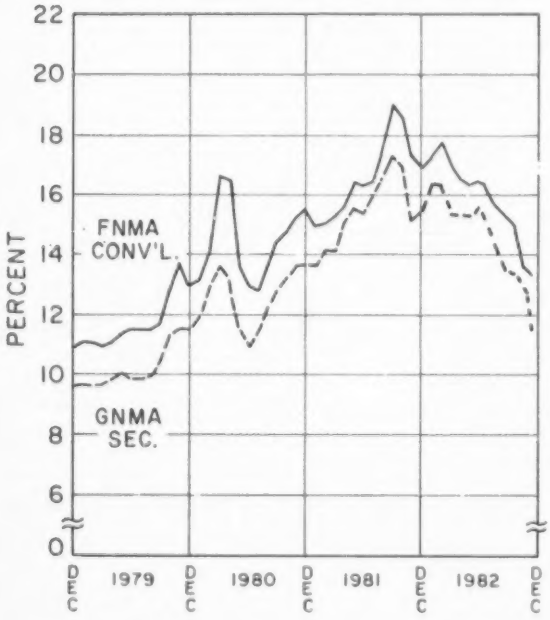

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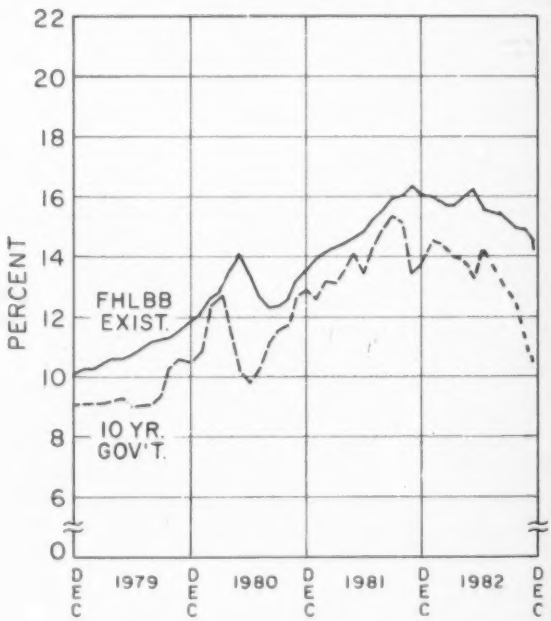

Footnotes:

1. Seasonally Adjusted Annual Rates.

Sources: Commerce Department, Federal National Mortgage Association, Federal Home Loan Bank Board, Federal Reserve

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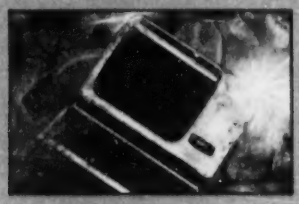

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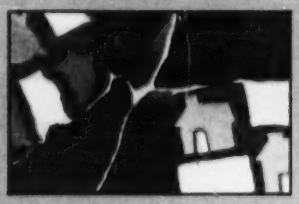

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MORTGAGE MARKET TRENDS

Prepared by MBA's Economics Department

March 16, 1983

The long awaited upturn in economic activity has arrived. Real GNP is expected to grow in the January through March quarter by about 2 percent at an annual rate. This turnaround follows a revised 1.9 percent decline in inflation-adjusted output of goods and services in the final quarter last year that was wholly due to a sharp drawdown in business inventories. Final sales (GNP less inventory changes) were up last quarter at a 3.1 percent annual rate, and more recent sales data suggest that the improvement in business activity is continuing. This welcome return to economic growth will lead to inventory rebuilding by the second quarter this year, which will lead to the recall of many laid-off workers, especially in basic industry. The result should be higher operating ratios in plants by spring, and reduced unemployment rates in most industries by mid-year.

In spite of the emerging recovery, plant capacity utilization will remain in the 70 to 75 percent range during most of 1983, well below the more desirable 85 percent area. For this reason, investment in plant and equipment will remain weak this year, probably below the level of 1982 in real terms. The net result for the economy should be that private credit demand this year will be moderate by historical standards. The recovery also will result in a federal deficit for this fiscal year that may not be as large as the $208 billion projected in the President's budget document. This optimistic scenario, if it materializes, would be good news for the financial markets and real estate finance. It would mean that the still massive amount of Treasury borrowing needed this year to finance the deficit could be digested by the market without pushing up interest rates later in the year, paving the way for a more relaxed monetary stance by the Federal Reserve.

Monetary policy has been in transition since October of 1979, when the Federal Reserve began to target money supply growth rather than interest rates. This policy change was required to control inflation, and that job seems to have been largely completed. After rising by about 13 percent in 1979, prices grew by only 3.9 percent last year. The devastating side effect of this policy prescription, of course, was that interest rates were pushed to record high levels. Real interest rates remain near historic high levels, because inflation has come down much faster than have nominal interest rates. This development cost the economy dearly as real growth was reversed, leaving inflation-adjusted GNP still below its level of 1979, and pushed the unemployment rate to a postwar high in December. The combination of progress on the inflation front, the high costs to the economy of the recession, and the very real danger to financial institutions here and abroad, led the Federal Reserve to adjust its monetary policy late last year.

More recent moderation in monetary policy is designed to provide enough liquidity to the economy to permit an economic recovery to take place. The Federal Reserve cut the discount rate seven times since last fall, pushing the overall level of interest rates down each time. Market perception of lower interest rates and relaxed monetary policy generated a powerful stock market rally. This policy change came at a time when the deregulation of financial institutions allowed the introduction of new deposit accounts that complicated measurement of the money supply. Since December, more than $230 billion has flowed into new depository accounts, and money market mutual fund growth has reversed. Only when the initial effect of the new deposit accounts is absorbed can the monetary authorities once again measure and control money supply growth. The Federal Reserve's admission of this fact paved the way for the current moderation in monetary policy.

The Federal Reserve has indicated a desire to continue its more relaxed monetary policy into 1983, reassuring the financial markets and enhancing the prospects for a sustained recovery. The newly announced targets for money supply growth this year have been set slightly higher than the 1982 targets, and Chairman Volcker has indicated that the Board will consider the overall needs of the economy for liquidity in managing the money supply this year. Rather than adhering to a rigid goal of 4 to 8 percent growth in the narrowly defined money supply, the monetary authorities will take "...account of patterns of saving and cash management among businesses and households, and indications of changing conditions in domestic and international credit markets and in foreign exchange markets."

Although there remains a risk that heavy government borrowing will push up interest rates this year, as it has already to some extent, that risk now probably is diminished. The numerous factors discussed above could work to allow rates to

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decline more as the economic recovery continues. Such a development would strengthen the recovery, further controlling the federal deficit by raising tax revenue and reducing outlays. More progress could be made if the Congress takes steps this spring to reduce the shortfall in the fiscal year 1984 budget.

The primary beneficiary of this more optimistic scenario could be the financial sector in general and the real estate finance markets in particular. The combination of delayed home buying postponed since 1980 and the recent refinement of new mortgage instruments and securities has paved the way for real estate finance to prosper under more adverse conditions than ever before possible.

Recent indicators of residential real estate activity have been very encouraging. Housing starts in January and February have remained above a 1.7 million annual rate, 60 percent ahead of the average level for 1982. Building permits were up during the same period by 50 percent from last year. Sales of new one-family houses have been increasing since last August, when mortgage interest rates began to decline. Existing home sales, the largest portion of the market, reached a 2.6 million annual rate in January, 31 percent above the 1982 level. As the prime home buying season approaches, there is every indication that these favorable developments will continue, with housing once again helping to lead the economy out of recession.

While the business cycle has become shorter and more irregular since 1980, the pattern in non-residential real estate has remained closer to its traditional three to four year cycle. Thus, the office and commercial building expansion that began in 1977-1979 continued into 1982, until the recessions of 1980 and 1981-82 forced a correction in most markets. In the income property area, special problems will remain this year. In some markets rental apartments will become feasible, especially if interest rates do move lower. Although office space is overbuilt in many major cities, there is a continuing need for smaller retail, office park, and warehouse space in markets skipped over in the 1979-1982 growth period.

While the outlook for 1983 seems to be improving, the sustainability of economic growth in the 1985-1988 period remains questionable. It is in this period when the huge projected federal deficits are most risky, because their expectation will keep long-term interest rates from falling. Although the Federal Reserve can deliver lower short-term interest rates in the near term, only a more realistic fiscal policy can provide the reassurance to the financial markets that is necessary to permit long-term rates to fall significantly and the recovery to continue.

Dr. Warren Matthews
Senior Economist

MORTGAGE MARKET TRENDS—APRIL 1983

RESIDENTIAL STRUCTURES, BY UNIT TYPE
(Units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES						HOUSING STARTS					
	Actual			Seasonally Adjusted Annual Rate			Actual			Seasonally Adjusted Annual Rate		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1981												
OCT	66	44	23	722	482	240	86	58	28	864	590	274
NOV	54	35	19	723	476	247	64	47	17	863	651	212
DEC	57	35	22	789	544	245	60	40	21	899	635	264
1982												
JAN	47	29	19	832	528	304	48	34	14	877	655	222
FEB	50	32	18	795	509	286	51	37	14	911	644	267
MAR	79	51	28	851	541	310	79	59	20	920	675	245
APR	82	53	29	879	526	353	85	62	23	911	648	263
MAY	81	53	28	944	590	354	99	67	32	1,028	707	321
JUN	80	50	30	929	607	322	91	71	20	910	703	207
JUL	91	53	37	1,062	585	477	107	70	37	1,185	721	464
AUG	80	54	26	888	580	308	96	70	26	1,046	738	308
SEP	100	61	39	1,003	657	346	105	71	34	1,134	773	361
OCT	100	63	37	1,172	737	435	111	73	38	1,142	782	360
NOV	100	64	36	1,284	843	441	109	73	36	1,361	947	414
DEC	75	50	25	1,150	806	344	82	57	25	1,263	917	346
1983												
JAN	86	56	30	1,579p	1,092p	487	93p	63p	30p	1,716p	1,228p	488p
1 month												
1983	86	56	30				93	63	30			
1982	47	28	19				48	34	14			
1981	70	47	23				82	57	25			
1980	75	52	23				73	56	17			

VALUE OF NEW CONSTRUCTION PUT IN PLACE
(Dollars in millions)

Year and Month	Seasonally Adjusted Annual Rate			
	Total	1 Unit	2+ Units	Non-Res.
1981				
OCT	113,897	36,185	16,575	61,157
NOV	113,057	34,608	16,377	62,072
DEC	113,827	34,288	16,863	62,676
1982				
JAN	115,136	35,446	15,821	63,869
FEB	115,975	34,557	15,800	65,618
MAR	117,171	34,725	17,563	64,883
APR	113,782	34,368	15,198	64,216
MAY	115,344	34,388	16,593	64,363
JUN	116,809	34,698	15,060	67,051
JUL	115,489	35,269	16,174	64,046
AUG	115,354	35,198	16,875	63,281
SEP	118,346	35,423	17,560	65,363
OCT	117,877	35,890	16,460	65,527
NOV	119,436	37,697	17,032	64,707
DEC	121,499	40,477	16,773	64,249
1983				
JAN	135,151	47,669	17,513p	69,969p

HOUSE SALES
(Units in thousands)

Year and Month	EXISTING HOUSES[1]	NEW HOUSES		
		Sold	Available For Sale	Months Supply at Current Rate
1981				
OCT	179	29	290	10.1
NOV	146	27	278	10.5
DEC	130	29	272	9.4
1982				
JAN	116	27	273	8.5
FEB	134	28	267	9.0
MAR	181	35	268	8.6
APR	174	33	263	9.3
MAY	169	37	259	8.2
JUN	192	34	253	8.3
JUL	183	31	251	8.5
AUG	186	34	247	7.5
SEP	168	40	248	6.9
OCT	173	41	245	6.1
NOV	167	39	251	5.5
DEC	148	32	257	5.8
1983				
JAN	157p	41p	256	5.5p
1 month				
1983	157	41		
1982	111	25		
1981	166	36		
1980	209	43		

RESIDENTIAL STRUCTURES, BY REGION
(units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES								STARTS							
	Actual				Seasonally Adjusted Annual Rate				Actual				Seasonally Adjusted Annual Rate			
	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West
1981																
OCT	10	11	30	15	107	104	333	178	11	18	36	21	103	154	378	229
NOV	7	8	28	11	85	98	382	158	7	10	36	11	80	128	497	158
DEC	7	6	32	12	90	100	431	168	8	7	33	13	112	125	483	179
1982																
JAN	3	2	32	10	65	76	512	179	3	3	32	10	78	123	512	164
FEB	4	3	33	11	86	76	473	160	3	2	36	10	122	84	555	150
MAR	8	8	47	16	88	87	490	186	7	7	49	16	112	100	521	187
APR	9	10	46	17	97	105	506	171	9	14	47	15	104	157	484	166
MAY	10	13	41	17	110	145	488	201	12	16	54	18	117	144	578	189
JUN	10	12	46	20	105	118	499	207	10	18	44	19	98	157	462	193
JUL	9	12	45	24	101	140	555	266	11	15	62	18	104	159	725	197
AUG	13	10	42	17	113	106	485	184	12	16	49	16	119	164	567	196
SEP	12	15	51	21	114	131	530	228	16	15	54	20	138	141	629	226
OCT	13	14	51	22	135	139	635	263	10	20	58	23	108	156	628	250
NOV	14	13	56	17	171	160	718	235	14	15	63	17	160	183	773	245
DEC	7	7	40	20	111	145	613	281	7	7	47	20	115	152	715	281
1983																
JAN	5p	6p	56p	20p	154p	215p	886p	324p	5p	6p	62p	20p	156p	235p	1,001p	324p
1 month																
1983	5	6	56	20					5	6	62	20				
1982	3	3	31	11					3	3	32	10				
1981	5	6	40	18					5	8	30	18				
1980	5	8	39	23					6	6	40	22				

CONSTRUCTION STATUS
(units in thousands)

Year and Month	UNDER CONSTRUCTION			COMPLETIONS		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1981						
OCT	767	488	279	117	80	37
NOV	732	465	267	92	66	26
DEC	682	427	255	105	75	30
1982						
JAN	657	413	244	72	48	24
FEB	644	407	237	63	41	22
MAR	646	412	234	73	50	23
APR	653	419	234	75	53	22
MAY	666	425	241	86	61	25
JUN	671	438	232	85	76	28
JUL	690	442	248	83	64	21
AUG	690	442	248	91	66	25
SEP	713	450	263	84	63	21
OCT	717	448	269	102	71	30
NOV	732	453	279	94	68	26
DEC	718	439	279	96	68	28
1983						
JAN	728p	442p	286p	82p	60p	22p
1 month						
1983				82	60	22
1982				71	47	24
1981				88	69	18
1980				125	94	31

INTEREST RATES AND YIELDS

Year and Month	1-4 UNIT MORTGAGES					APARTMENTS[1]	CONSTRUCTION LOANS[1] ALL TYPES	FNMA		GNMA Current Securities Yield[1]	SELECTED SECURITIES				SPREADS (Basis Points)	
	FHA Opinion Survey			FHLBB Survey				FMS Auction Yields on 4 mo. Commitments[2]			Aaa Utility New Issue	U.S. Gov't.		Prime Commercial Paper 90-119 Days	FHA New Minus Aaa Utility	GNMA minus 10-yr Gov't.
	FHA New[1]	Conventional		Conventional				FHA/VA	Conv.			10-yr	26-wk			
		New	Existing	New	Existing											
1981																
OCT	17.43	18.05	18.05	15.65	16.01	18.87		18.180	18.610	16.89	16.94	15.15	14.013	14.85	49	232
NOV	15.98	16.95	17.00	16.38	16.38	16.87	19.46	16.709	17.250	15.09	15.56	13.39	11.530	12.16	31	170
DEC	16.43	17.00	17.00	15.89	16.02	17.38		16.630	16.931	15.38	15.20	13.72	11.471	12.12	123	166
1982																
JAN	17.38	17.30	17.30	15.25	15.92	18.13		17.890	17.330	16.22	15.68	14.59	12.930	13.09	170	163
FEB	17.10	17.20	17.20	15.12	15.73	17.38	17.86	17.993	17.912	16.24	15.93	14.43	13.709	14.53	117	181
MAR	16.41	16.80	16.85	15.67	15.65	16.88		17.265	17.064	15.83	15.26	13.86	12.621	13.80	115	197
APR	16.31	16.65	16.75	15.84	16.00	16.88		n.a.	16.678	15.56	15.83	13.87	12.861	14.06	48	169
MAY	16.19	16.50	16.55	15.89	16.11	16.88	17.80	16.267	16.310	15.26	15.22	13.62	12.220	13.42	97	164
JUN	16.73	16.75	16.80	15.40	15.56	17.62		17.216	16.700	15.89	15.92	14.30	12.310	13.96	81	159
JUL	16.29	16.50	16.55	15.70	15.52	17.13		17.199	16.820	15.54	15.61	13.95	12.236	12.94	68	159
AUG	14.61	15.40	15.45	15.71	15.63	15.62	17.19	15.780	15.740	14.31	13.95	13.06	10.105	10.15	66	125
SEP	14.03	15.05	15.05	14.99	15.30	15.37		n.a.	15.363	13.51	13.50	12.34	9.539	10.36	53	117
OCT	12.99	13.95	13.95	14.41	14.95	14.13		n.a.	13.917	12.86	12.20	10.91	8.299	9.20	79	195
NOV	12.82	13.80	13.80	13.81	14.29	13.88	15.14	n.a.	13.748	11.85	11.76	10.55	8.319	8.69	106	130
DEC	12.80	13.62	13.64	13.70p	13.98p	13.37		n.a.	13.729	12.00	11.84	10.54	8.225	8.51	96	146
1983																
JAN	12.87	13.44	13.45	13.49p	13.64p	13.88		n.a.	13.697	11.89	12.05	10.46	7.898	8.17	82	143

LONG-TERM MORTGAGE LOANS CLOSED

(Dollars in Millions)

Year and Month	BY TYPE OF INSTITUTION					BY TYPE OF UNIT, AND INSTITUTION														
						1-4 Units					5+ Units					Nonresidential				
	Total	Mtg. Bankers	S&Ls	Banks[1]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[1]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[1]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[1]	Life Cos.
1981																				
AUG	10,010	2,900	3,843	3,114	763	8,001	2,360	3,434	2,161	46	660	340	167	131	22	2,239	480	242	822	695
SEP	10,112	2,250	3,496	3,553	813	7,377	1,900	3,063	2,363	51	374	30	114	152	78	2,421	380	319	1,038	684
OCT	10,032	2,110	3,206	3,634	1,082	6,579	1,550	2,818	2,181	30	584	270	143	152	19	2,999	420	245	1,301	1,033
NOV	8,227	1,890	2,809	2,778	750	5,593	1,520	2,421	1,620	32	342	40	159	126	17	2,292	330	229	1,032	701
DEC	9,778	2,290	3,302	3,119	1,062	6,261	1,660	2,669	1,887	45	555	170	184	174	27	2,777	280	449	1,058	990
1982																				
JAN	7,691	2,030	2,410	2,471	780	4,991	1,560	1,975	1,440	16	452	90	168	168	26	2,388	520	267	863	738
FEB	8,302	2,140	2,600	2,966	596	5,519	1,760	2,097	1,620	42	598	120	246	178	54	2,215	290	257	1,168	500
MAR	10,600	3,180	3,160	3,465	795	6,957	2,420	2,626	1,872	39	477	90	207	129	51	3,096	600	327	1,464	705
APR	9,755	2,900	3,100	3,071	684	6,721	2,420	2,582	1,674	45	469	50	177	172	70	2,535	400	341	1,225	569
MAY	9,689	3,080	3,193	2,899	517	6,626	2,450	2,541	1,597	38	479	190	163	111	15	2,614	470	489	1,191	464
JUN	11,792	3,440	4,041	3,826	485	8,153	2,850	3,258	1,995	50	687	180	271	223	13	2,932	390	512	1,608	422
JUL	10,874	2,940	3,427	3,661	846	7,361	2,330	2,922	2,049	60	501	70	206	177	48	2,862	390	299	1,435	738
AUG	10,108	2,710	3,601	3,251	546	7,412	2,500	2,909	1,958	45	543	40	280	210	13	2,423	440	412	1,083	488
SEP	10,807	2,620	3,858	3,855	474	7,911	2,460	3,130	2,276	45	563	20	295	226	22	2,393	200	433	1,353	407
OCT	10,954	3,080	3,529	3,764	581	7,637	2,480	2,817	2,296	44	781	340	216	210	15	2,646	370	496	1,258	522
NOV	13,450	4,460	4,026	4,458	506	10,067	3,930	3,148	2,935	54	702	220	337	107	38	2,751	380	541	1,416	414
DEC	19,808p	6,080p	6,443	5,724	1,561	14,211p	5,660p	4,778	3,705	68	1,025p	50p	605	297	73	4,462p	260p	1,060	1,722	1,420

LONG-TERM COMMITMENT ACTIVITY

(Dollars in Millions)

Year and Month	OUTSTANDING					ISSUED DURING MONTH				
	Total	Mtg. Bankers	S&Ls	Banks[1]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[1]	Life Cos.
1981										
JUL	51,615	8,380	20,686	8,371	14,178	8,811	2,990	3,598	1,739	484
AUG	50,623	8,660	19,741	8,605	13,617	8,108	3,510	3,250	1,035	313
SEP	48,166	6,540	18,654	9,515	13,457	7,949	1,820	2,751	2,521	857
OCT	44,888	6,310	17,897	8,045	12,636	6,641	2,340	2,716	1,233	352
NOV	42,713	4,750	17,416	8,319	12,228	5,958	1,920	2,507	1,167	364
DEC	44,917	7,440	16,887	9,130	11,460	7,183	3,150	2,823	940	300
1982										
JAN	44,598	8,070	16,653	9,025	10,850	7,237	2,940	2,261	1,743	293
FEB	43,552	7,740	16,529	8,794	10,489	7,480	3,080	2,844	1,131	425
MAR	46,125	8,910	16,664	9,630	10,921	10,005	4,130	3,347	1,564	964
APR	48,376	9,090	17,186	11,381	10,719	10,329	4,650	3,390	1,579	710
MAY	49,695	9,390	17,362	12,345	10,598	9,690	4,180	3,350	1,627	533
JUN	49,270	9,240	17,327	12,543	10,160	8,765	3,220	3,597	1,648	300
JUL	49,726	9,610	16,951	13,436	9,729	9,171	3,410	3,537	1,679	545
AUG	50,855	10,410	17,748	13,192	9,505	9,646	3,750	3,847	1,615	434
SEP	51,994	11,350	18,241	13,108	9,295	11,139	5,290	3,888	1,466	495
OCT	54,730	13,610	19,328	12,512	9,280	13,394	7,040	4,024	1,620	710
NOV	60,452	16,540	20,785	13,457	9,670	16,226	8,060	5,017	1,819	1,330
DEC	63,935p	18,500p	21,548	14,267	9,620	16,847p	7,470p	6,082	1,991	1,304

MORTGAGE INSURANCE

(Units in thousands, dollars in millions)

Year and Month	APPLICATIONS RECEIVED UNITS			INSURED							
				Total		FHA (203)		VA		Private	
	Total	FHA/VA	Private	Units	Amt.	Units	Amt.	Units	Amt.	Units	Amt.
1981											
JUL	74	38	36	59	3,043	12	495	12	644	35	1,904
AUG	68	38	32	52	2,800	10	422	12	696	30	1,682
SEP	62	30	32	55	2,876	15	620	11	660	29	1,596
OCT	51	24	27	43	2,310	8	341	9	485	26	1,484
NOV	47	24	23	41	2,119	10	389	8	464	23	1,266
DEC	62	38	24	38	1,957	8	311	6	357	24	1,289
1982											
JAN	48	31	17	31	1,726	7	270	6	327	18	1,129
FEB	54	32	22	32	1,785	8	356	7	393	17	1,036
MAR	69	37	32	39	2,193	9	373	7	421	23	1,399
APR	63	34	29	35	1,976	8	322	6	374	21	1,280
MAY	67	31	36	43	2,222	8	335	6	328	29	1,559
JUN	83	40	43	50	2,743	9	408	8	443	33	1,892
JUL	84	38	46	52	2,687	9	375	9	482	34	1,830
AUG	82	36	46	54	2,997	8	352	10	573	36	2,072
SEP	91	47	44	60	3,248	11	462	13	743	36	2,043
OCT	103	59	44	52	2,826	10	425	6	385	36	2,016
NOV	104	60	44	53	2,920	11	498	8	455	34	1,967
DEC	175	125	50	63	3,471	16	703	9	564	38	2,204

SECONDARY MARKET ACTIVITY

(Dollars in Millions)

Year and Month	FNMA					FHLMC			GNMA	
	4-Month Commitments				12 Month Convert Standby	Comm.	Purc.	Sold	Pass-Through Securities	
	FHA/VA Bid	FHA/VA Accept	Conventional Bid	Conventional Accept					Applications	Issued
1981										
MAY	282	252	281	156	69	130	480	421	4,296	1,245
JUN	298	265	307	224	204	293	139	94	4,380	1,382
JUL	405	354	306	238	201	865	242	238	2,050	1,589
AUG	602	352	624	252	113	308	101	44	2,339	959
SEP	400	133	359	120	0	365	393	249	8,106	1,184
OCT	82	37	43	27	0	1,834	290	244	571	739
NOV	105	41	149	63	0	2,011	416	598	1,298	795
DEC	81	34	84	48	0	203	1,140	1,156	1,729	1,304
1982										
JAN	51	31	32	12	0	3,280	1,629	1,628	1,543	902
FEB	51	23	29	14	0	565	1,228	1,115	1,789	960
MAR	57	33	65	32	0	2,523	1,481	1,564	2,223	1,335
APR	n.a.	n.a.	38	23	0	2,824	2,144	2,176	1,219	835
MAY	42	7	39	23	0	2,692	1,214	1,194	1,812	1,194
JUN	33	7	59	33	0	3,166	1,581	1,564	2,900	1,530
JUL	11	1	37	24	0	2,181	2,236	2,205	2,116	1,011
AUG	30	6	70	43	0	2,768	2,529	2,618	2,850	1,383
SEP	17	0	28	9	0	2,892	1,798	1,924	16,429	1,521
OCT	24	0	25	11	0	2,506	2,000	2,200	1,297	1,441
NOV	3	0	14	8	0	1,714	1,917	2,177	1,692	1,564
DEC	4	0	23	15	0	1,068	3,916	3,804	3,093	2,330

MORTGAGE BANKERS CONSTRUCTION AND LAND LOAN ACTIVITY

(Dollars in Millions)

Year and Month	DISBURSEMENTS DURING MONTH					OUTSTANDING COMMITMENTS TO BORROWERS			
	Construction				Land Loans				
	Total	1-4 Units	5+ Units	Non-res.		Total	1-4 Units	5+ Units	Non-res.
1981									
MAY	260	120	50	90	90	4,500	910	2,310	1,280
JUN	220	90	50	80	120	3,640	900	1,560	1,180
JUL	360	170	60	130	150	3,920	900	1,860	1,160
AUG	270	110	60	100	100	5,720	850	1,880	2,990
SEP	310	130	70	110	110	3,890	890	1,630	1,370
OCT	280	100	50	130	90	5,780	920	1,200	3,660
NOV	240	90	50	100	110	3,570	630	1,500	1,440
DEC	280	120	70	90	90	3,870	770	1,430	1,670
1982									
JAN	230	60	40	130	110	3,630	630	1,270	1,730
FEB	280	90	50	140	230	3,600	490	1,360	1,750
MAR	240	120	30	90	120	3,910	590	1,530	1,800
APR	300	120	30	150	120	6,360	640	2,130	3,580
MAY	220	80	60	80	140	5,890	540	2,700	3,650
JUN	280	100	60	120	110	6,800	430	1780	4,590
JUL	220	80	50	90	40	8,030	420	1,820	5,790
AUG	200	100	30	70	50	4,390	800	1,510	2,080
SEP	270	100	60	110	40	6,300	1,000	2,770	2,530
OCT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
NOV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
DEC	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

n.a.–Not available; p–Preliminary

[1]From the National Association of Realtors' "Existing Home Sales" series.

[2]Reflects cumulative total through the latest month for each column.

[3]Secondary market gross yields.

[4]Federal Home Loan Mortgage Corp. Existing construction only.

[5]Federal Reserve's weighted average interest rate for Commercial Banks.

[6]Weighted average gross yields for accepted bids.

[7]Survey of three New York security dealers. Securities for immediate delivery.

[8]Mutual Savings Banks and Commercial Banks.

Sources: American Council of Life Insurance, Board of Governors of the Federal Reserve System, Bureau of the Census, Citicorp Real Estate Inc., Department of Housing and Urban Development, Federal Home Loan Bank Board, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Mortgage Bankers Association of America, National Association of Mutual Savings Banks, National Association of Realtors, Veterans Administration.

MORTGAGE BANKING ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED[1]

Year and Month	SEASONALLY ADJUSTED				NOT SEASONALLY ADJUSTED								
						1-4 Units				5+ Units			
	Total[2]	1-4 Units	5+ Units	Non-Res.	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-[3] Res.
1981													
MAR	3,290	2,620	170	490	2,870	2,200	890	650	660	150	130	20	520
APR	3,330	2,750	70	440	2,910	2,380	940	660	780	80	30	50	450
MAY	3,650	2,730	270	710	3,340	2,460	900	630	930	160	140	20	720
JUN	3,310	2,680	50	610	3,270	2,810	850	630	1,330	50	30	20	410
JUL	3,130	2,430	110	490	3,290	2,690	760	600	1,330	120	110	10	490
AUG	2,900	2,360	340	480	3,360	2,700	790	630	1,280	330	20	310	330
SEP	2,250	1,900	30	380	2,610	2,180	530	420	1,230	50	40	10	380
OCT	2,110	1,550	270	420	2,440	1,870	480	350	1,040	170	0	170	400
NOV	1,890	1,520	40	330	1,820	1,430	400	290	740	40	10	30	350
DEC	2,290	1,660	170	280	2,530	1,800	600	390	810	190	0	190	540
1982													
JAN	2,030	1,560	90	520	1,830	1,390	410	340	640	100	60	40	340
FEB	2,140	1,760	120	290	1,820	1,380	470	280	630	120	90	30	320
MAR	3,180	2,420	90	600	2,790	2,110	600	340	1,170	80	60	20	600
APR	2,900	2,420	50	400	2,570	2,100	570	350	1,180	50	30	20	420
MAY	3,080	2,490	190	470	2,740	2,240	670	410	1,160	110	70	40	390
JUN	3,440	2,850	180	390	3,420	2,920	850	550	1,520	180	170	10	320
JUL	2,940	2,330	70	390	3,020	2,630	780	510	1,340	70	70	0	320
AUG	2,710	2,300	40	440	3,250	2,860	920	580	1,360	40	20	20	350
SEP	2,620	2,460	20	200	3,050	2,820	890	680	1,250	30	20	10	200
OCT	3,080	2,480	340	370	3,560	3,000	1,060	740	1,200	210	120	90	350
NOV	4,460	3,930	220	380	4,290	3,670	1,540	950	1,180	220	200	20	400
DEC[p]	6,080	5,660	50	260	6,720	6,150	2,330	1,630	2,190	60	0	60	510
Year-to-date													
1982					39,060	33,270	11,090	7,360	14,820	1,270	910	360	4,520
1981					33,470	25,830	8,380	6,200	11,250	1,740	770	970	5,910
1980					38,160	30,860	11,830	9,830	9,200	2,480	1,280	1,200	4,820
1979					41,240	33,220	11,900	11,220	10,100	2,520	740	1,780	5,500

COMMITMENT ACTIVITY: LONG-TERM MORTGAGE LOANS

Year and Month	COMMITMENTS DURING MONTH								OUTSTANDING COMMITMENTS END OF MONTH					
	To Borrowers				From Investors				To Borrowers			From Investors		
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1981														
MAR	3,190	2,810	80	300	5,490	2,950	170	2,370	7,680	430	730	7,560	960	1,470
APR	3,300	2,460	70	770	3,200	2,190	110	900	7,340	490	760	7,140	990	1,180
MAY	3,150	2,710	110	330	6,970	4,690	210	2,070	7,420	490	690	6,830	960	1,390
JUN	3,190	2,600	60	530	3,550	2,550	160	840	7,080	460	700	7,000	940	1,380
JUL	2,990	2,630	40	320	4,590	3,730	50	810	7,170	570	640	7,180	980	1,220
AUG	3,510	2,680	10	820	2,880	2,050	30	800	7,270	610	780	7,110	1,130	1,430
SEP	1,820	1,610	90	120	2,330	1,530	120	680	5,260	470	810	5,690	870	1,520
OCT	2,340	1,770	170	400	2,560	1,850	200	510	5,190	280	840	5,280	510	1,130
NOV	1,920	1,320	180	420	4,250	1,490	190	2,570	3,720	390	640	4,170	610	1,150
DEC	3,150	2,370	170	610	2,470	2,020	160	290	5,890	950	600	4,780	1,240	710
1982														
JAN	2,940	2,290	240	410	3,290	2,430	140	720	6,370	1,000	690	5,380	1,260	880
FEB	3,080	2,210	90	780	3,620	2,470	60	1,090	6,220	810	710	4,550	1,130	930
MAR	4,130	3,010	120	1,000	2,850	2,560	140	150	7,730	480	700	5,610	710	930
APR	4,650	2,250	350	2,050	5,760	3,090	390	2,280	7,350	550	1,190	6,520	650	1,170
MAY	4,180	2,560	340	1,280	4,270	2,630	380	1,260	7,970	640	780	6,730	1,180	890
JUN	3,220	2,640	180	400	3,450	2,670	120	660	7,930	550	760	7,240	880	900
JUL	3,410	2,550	80	780	4,890	3,700	120	1,070	7,950	590	1,070	7,830	840	1,240
AUG	3,750	3,140	240	370	4,800	4,260	180	360	9,010	740	660	7,800	990	720
SEP	5,290	4,900	90	300	6,050	5,380	140	530	9,920	940	490	9,830	1,400	670
OCT	7,040	6,240	170	630	3,740	3,120	190	430	13,030	130	450	9,590	620	590
NOV	8,060	6,270	370	1,420	6,910	4,830	640	1,440	15,380	600	560	12,360	1,140	750
DEC[p]	7,470	6,500	80	890	6,930	5,540	80	1,310	17,680	290	530	13,240	550	680
Year-to-date														
1982	57,220	44,560	2,350	10,310	56,560	42,680	2,580	11,300						
1981	36,700	30,170	1,200	5,330	44,700	30,410	1,740	12,550						
1980	36,610	30,550	3,140	2,920	36,120	26,460	4,810	4,850						
1979	41,610	32,370	2,760	6,480	45,790	34,250	3,850	7,690						

Notes: [1]All dollar amounts are in millions.

Total is seasonally adjusted separately from components. Total, therefore, may not equal sum of parts.

[3]Series labeled non-residential are also inclusive of farm data.

[p]Percent coverage equals outstanding commitments received from investors divided by the sum of outstanding end of month inventory and outstanding commitments issued to borrowers, all multiplied by 100.

Year and Month	OUTSTANDING END OF MONTH INVENTORY									COVERAGE*			SERVICING VOLUME		
	Total	1-4 Units				5+ Units			Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
		Total	FHA	VA	Conv.	Total	FHA	Conv.							
1981															
MAR	3,790	2,640	710	560	1,370	500	40	460	650	73	103	107	204,970	20,220	40,770
APR	4,000	2,730	780	560	1,390	620	40	580	650	71	89	84	208,400	20,320	39,390
MAY	4,280	3,020	820	650	1,550	560	40	520	700	65	91	100	208,100	19,870	38,990
JUN	4,300	3,090	850	620	1,620	520	50	470	690	69	96	99	214,430	20,220	39,000
JUL	4,140	2,860	760	570	1,530	620	50	570	660	72	82	92	219,360	21,500	42,510
AUG	4,180	2,910	770	550	1,590	560	10	550	710	70	97	96	216,870	24,020	41,880
SEP	3,990	2,660	640	470	1,550	460	40	420	870	72	94	90	195,370	19,140	39,590
OCT	4,330	2,640	580	400	1,660	570	60	510	1,120	67	60	58	214,730	20,730	46,680
NOV	3,580	2,220	480	340	1,400	570	60	510	790	70	64	80	188,070	19,880	37,990
DEC	4,330	2,280	470	320	1,490	1,230	160	1,070	820	59	57	50	212,560	22,750	39,210
1982															
JAN	4,510	2,340	490	340	1,510	1,240	170	1,070	930	62	56	54	222,860	23,790	44,400
FEB	4,100	2,140	440	320	1,380	1,120	200	920	840	54	59	60	223,400	22,860	44,140
MAR	4,160	2,470	520	320	1,630	710	100	610	980	55	60	55	235,950	26,690	43,830
APR	4,670	2,380	510	350	1,520	910	110	800	1,380	67	45	46	233,690	24,910	46,580
MAY	4,560	2,470	530	370	1,570	1,210	110	1,100	880	64	64	54	239,060	26,040	45,020
JUN	3,360	2,400	630	410	1,360	530	130	400	430	70	81	76	244,630	25,090	44,340
JUL	5,150	2,690	640	490	1,560	1,220	140	1,080	1,240	74	46	54	235,360	22,700	43,030
AUG	5,000	2,910	710	450	1,750	1,240	140	1,100	850	65	50	48	258,320	25,020	44,360
SEP	6,140	3,000	740	490	1,770	2,380	140	2,240	760	76	42	50	258,260	25,560	44,620
OCT	6,160	3,170	750	640	1,780	2,020	140	1,880	970	59	29	42	269,470	26,150	46,350
NOV	6,650	3,620	1,000	740	1,880	2,120	290	1,830	910	65	42	51	280,360	26,490	47,050
DECp	6,650	4,730	1,480	1,020	2,230	1,140	160	980	780	59	38	32	319,120	30,660	50,840

CONSTRUCTION AND LAND LOAN ACTIVITY

Year and Month	DISBURSEMENTS DURING MONTH					CONSTRUCTION LOANS CLOSED				END OF MONTH INVENTORY				
	Total	1-4 Units	5+ Units	Non-Res.	Land Loans	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Land Loans
1981														
MAR	180	80	40	60	70	490	130	210	150	3,410	1,060	830	1,520	900
APR	230	80	50	100	40	600	230	190	180	3,320	1,050	800	1,470	850
MAY	160	80	30	50	30	470	120	260	90	2,910	1,060	740	1,110	840
JUN	140	60	30	50	90	620	150	300	170	2,660	970	730	960	820
JUL	220	100	40	80	80	420	130	140	150	3,370	1,190	920	1,260	880
AUG	170	70	40	60	100	350	110	80	160	4,010	1,190	980	1,840	2,040
SEP	180	80	40	60	50	420	100	170	150	3,250	1,130	910	1,210	810
OCT	280	70	40	170	40	820	310	150	360	4,020	1,150	980	1,890	900
NOV	190	70	40	80	40	380	110	50	220	3,960	1,000	1,030	1,930	870
DEC	180	70	40	70	70	990	590	130	270	4,240	1,020	1,120	2,100	900
1982														
JAN	130	30	30	70	30	520	50	160	310	3,400	810	800	1,790	910
FEB	170	50	40	80	60	380	70	70	240	3,550	830	890	1,830	950
MAR	130	70	10	50	40	530	100	70	360	3,250	800	800	1,650	910
APR	360	70	80	210	60	550	90	180	280	3,810	820	960	2,030	1,010
MAY	130	50	30	50	40	690	80	200	410	3,740	780	960	2,000	970
JUN	180	60	40	80	70	810	80	380	350	4,290	840	1,090	2,360	1,020
JUL	160	50	30	80	40	510	60	320	130	4,210	840	960	2,410	970
AUG	150	60	20	70	50	620	100	250	270	3,480	900	920	1,660	1,000
SEP	170	70	30	70	30	370	90	160	120	3,840	960	950	1,930	1,000
OCT	170	90	30	50	30	200	90	90	20	4,620	1,150	1,180	2,290	920
NOV	180	110	20	50	20	440	120	270	50	3,880	1,110	890	1,880	950
DECp	220	100	30	90	50	430	160	110	160	3,690	1,160	660	1,870	1,010

Year and Month	COMMITMENTS TO BORROWERS: LAND AND CONSTRUCTION LOANS								NOTES PAYABLE			
	Issued During Month				End of Month Balances				End of Month Balances			
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Total	Comm. Paper	To Parent	To Others
1981												
MAR	1,030	120	260	650	5,560	980	1,640	2,940	11,060	2,480	4,520	4,060
APR	1,080	160	310	610	5,470	1,060	1,730	2,680	10,730	2,280	4,300	4,150
MAY	1,000	120	400	480	4,000	1,050	1,580	1,370	10,870	2,440	4,150	4,280
JUN	610	110	300	200	3,660	1,050	1,440	1,170	11,660	2,140	4,920	4,600
JUL	680	120	250	310	3,490	1,060	1,440	990	11,760	2,350	4,820	4,590
AUG	980	120	270	590	5,800	1,010	1,830	2,960	12,350	2,300	5,530	4,520
SEP	970	80	290	600	3,670	920	1,210	1,540	10,770	2,460	4,380	3,930
OCT	1,200	130	160	910	7,030	920	1,330	4,780	11,510	2,320	5,260	3,930
NOV	1,050	120	520	410	6,120	750	1,770	3,600	10,870	1,680	5,270	3,920
DEC	1,920	140	1,310	470	7,480	770	2,910	3,800	10,960	1,160	5,710	4,090
1982												
JAN	2,050	180	1,400	470	8,070	650	3,620	3,800	11,070	1,130	5,770	4,170
FEB	690	70	190	430	7,530	540	3,340	3,650	11,230	1,180	5,360	4,690
MAR	920	190	170	560	6,420	630	2,000	3,790	11,930	1,250	6,610	4,070
APR	2,730	110	1,090	1,530	7,820	560	2,330	4,930	12,610	1,000	5,540	6,070
MAY	1,280	140	670	470	8,150	660	3,230	4,260	11,570	1,130	5,070	5,370
JUN	950	130	300	520	7,660	590	2,250	4,820	13,810	1,230	5,680	6,900
JUL	950	70	330	550	8,900	580	2,250	6,070	11,350	1,820	5,000	4,530
AUG	760	110	350	300	4,420	690	1,570	2,160	12,900	1,630	5,110	6,160
SEP	670	100	430	140	6,180	980	2,730	2,470	12,250	1,950	5,760	4,540
OCT	1,860	110	1,600	150	5,540	480	2,340	2,720	20,460	1,380	7,370	11,710
NOV	720	160	320	230	5,370	590	2,170	2,610	14,650	1,640	6,010	7,000
DECp	800	270	260	340	4,320	670	1,120	2,530	19,890	3,130	8,120	8,640

NOTE

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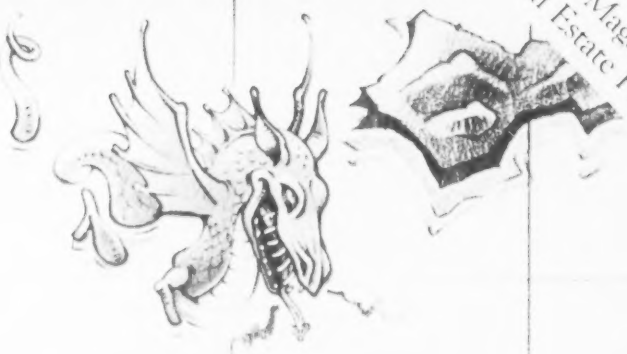

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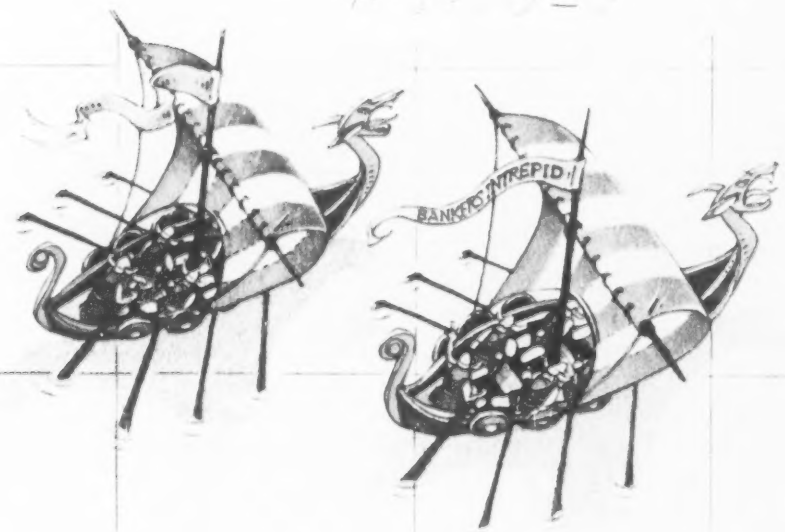

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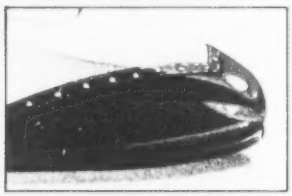

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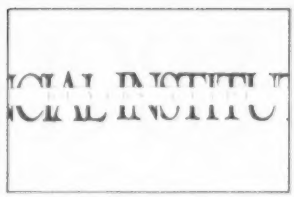

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cover illustration by: William Ersland

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QING RATES XPERT

Paul J. L

here are an almost infinite number of factors that influence a real estate finance executive's decision as to whether to stay in his or her present position, or move on.

The identification of those factors—at least those that lend themselves to identification—is of some importance at a time when real estate finance institutions need as never before the services of their most capable and resourceful officers.

The personal considerations that may affect an executive's decision are frequently matters over which management has little or no direct influence. In these cases one can only hope that a key vice president will not succumb to an offer from a rival company because, for example, the new area offers more in the way of activities or a climate the executive and his family enjoy.

But, even these intangibles become more manageable when the executive is convinced that he or she is receiving an adequate and, above all, fair, salary. And precisely how does one define fair and adequate? While such definitions are subject to all kinds of individual interpretations, the universally practical yardstick is comparability. What are my peers being paid?

Specialty Consultants, Inc., a national executive search firm based in Pittsburgh, has conducted a salary survey of eastern and midwestern real estate finance executives with a view to determining salary ranges in savings and loan associations, life insurance companies, and commercial banks. The results, and some of the conclusions reached, follow.

continued

Paul J. Lewis has been associated with Specialty Consultants, a Pittsburgh-based executive search firm, since 1977. The firm works with real estate developers, retailers, lenders, investors, general contractors, property managers, syndicators, pension funds, and other real-estate related companies.

Reprinted from Mortgage Banking, *July 1982*

cording to Standard & Poor's Corporation's latest estimates, approximately $1.5 billion of such financing has been brought to market since October of 1982, and rating applications for an additional $2.0 billion had been received only three weeks prior to the anticipated April 15 deadline.

Even assuming that only one-fourth of those financings actually close, the financing technique would have produced roughly $2.0 billion of financing in a six-month period. At an estimated average cost per unit of $40,000, this would translate to 50,000 units, or almost one-fifth the number of all multifamily rental units produced during all of 1982 from all sources.

Lessons: immediate future

There are several lessons to be learned from the developments over the past year and the projections for 1983. The first is that we should all use the financing vehicles that are presently available to us to capitalize on the current favorable interest rate environment. While it appears that tax-exempt bonds backed by FSLIC/FDIC insurance may soon be a thing of the past, it seems likely that variations on that technique will be developed, just as the FSLIC/FDIC technique grew out of the collateralized loans-to-lenders financings.

Several other well-established financing vehicles can now be used to close multifamily rental housing financings. Probably the most effective of these tools is the MBIA/FHA program. Since the inception of the MBIA/FHA program in the late summer of 1982, it has been used to insure over 150 note issues aggregating over $650 million and over 100 bond issues aggregating over $500 million and has provided financing for over 200 housing projects. While the majority of these projects were Section 8 assisted, the program continues to be an effective mechanism at current market rates for the financing of moderate income-oriented multifamily housing.

Life insurance and other third-party guarantee and joint venture structures are also now well developed, but have only just begun to be used to finance apartment projects. Each of these programs has its special advantages and shortcomings, but the key point is that a substantial volume of housing can be and is currently being financed through the aggressive use of these established financing tools.

We all should make every effort to use these structures to the fullest advantage. Adverse Congressional action could quickly eliminate any of these structures (as appears now to be the case with tax-exempt FSLIC/FDIC financings), as could unfavor-

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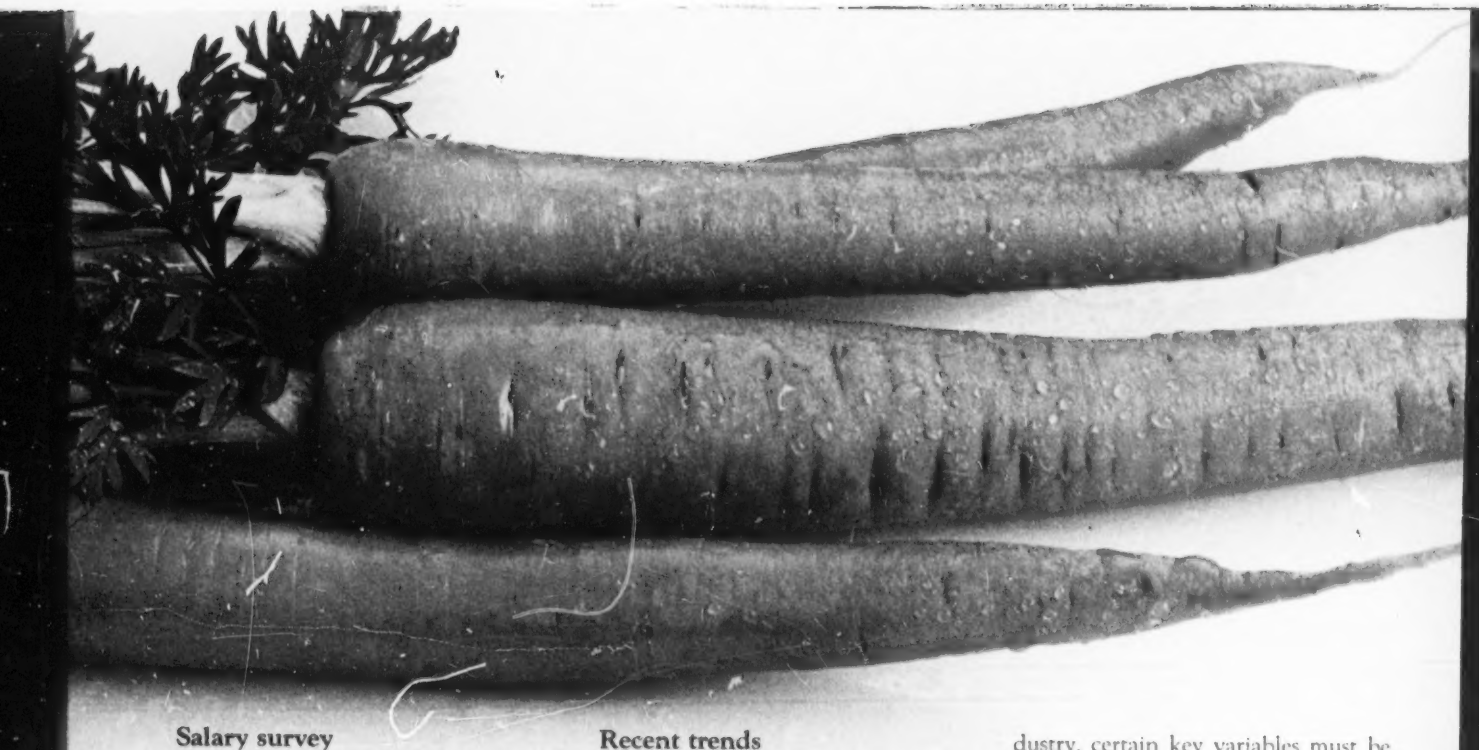

Salary survey

The following survey was designed to provide comparative industry scales, averages, and ranges of compensation for commercial mortgage lenders and analysts. The industries surveyed were savings and loans, life insurance companies, and commercial banks.

The survey encompasses the geographic area consisting of: Massachusetts, Connecticut, New York, Delaware, New Jersey, Pennsylvania, Maryland, Ohio, Indiana, Illinois, Michigan, and Washington, DC.

The companies surveyed included the members of the top 1,000 commercial banks, top 1,500 savings and loans and top 100 life insurance companies (ranked by assets). All data was obtained on individuals who are currently employed in commercial real estate mortgage loan production, analysis, and/or underwriting capacities. Specific areas of responsibility and authority varied from employer to employer.

The total sample number of salaries was 336, with life companies comprising 132, savings and loans 87, and commercial banks 117.

Table 1 compares the average salary and salary ranges with years of experience for the top 100 life insurance companies; Table 2 compares the average salary and salary ranges with years of experience for the top 1,000 commercial banks; and Table 3 compares the average salary and salary range with years of experience for the top savings and loans.

Recent trends

Traditionally, financial institutions have served as the training grounds for private real estate firms including developers, mortgage brokers, and syndicators. With the increased involvement of the institution in private sector real estate, more private firms are looking to the institutions for employees who are schooled and disciplined in creative financing and understand what institutions look for in a proposed investment.

The result has been that now more top financial institutions have been experiencing a heavy turnover in the real estate mortgage and equity investment fields. Consequently, these institutions have rapidly upgraded salary scales (in some cases, three reviews in one year were conducted), bonus programs have been instituted based on performance and profitability as well as new levels of responsibility created to promote aggressive younger employees.

The financial groups that have failed to adjust to this change have been severely hurt by the loss of key personnel and are being "out recruited" for the top collegiates by more aware competitors. Many top financial groups are attempting to stay even with competitors so that an existing employee will not change jobs for monetary reasons alone.

Variance factors

In attempting to provide an accurate assessment of compensation averages and ranges for the financial industry, certain key variables must be highlighted to accompany the statistical presentation. The main variables that may affect compensation are: (1) geographical location of the employer; (2) size of the financial institution; and (3) education of the employee.

Geographical location

It is commonly assumed that if an organization is located in a high cost of living area (New York City, Boston, Washington, DC) that the employees of that organization are accordingly compensated to adjust for the higher cost of living. This is not always the case.

Many organizations that have limited exposure to other firms of similar size, character, and activity and have had a stable rate of turnover in key positions may fall behind their competitors because they have not had to keep aware of what other firms were paying their employees. The few key positions that do become available are usually filled from within the company. This lack of awareness not only lowers the average salary for the particular geographic area but may in itself create turnover due to a lagging compensation structure.

Many corporations are now becoming acutely aware of compensation levels as they relate, not only to other industry competitors, but also to their clients and business affiliates as well as the area's cost of living indices and desirability. In response to

Table 1

Salaries and Experience in Life Insurance Companies

Sample #	Years of Experience	Salary Average	Salary Range	
			Min.	Max.
(14)	1-2	$19,700	$14,000	$24,500
(24)	2-3	23,900	17,200	27,600
(17)	3-4	27,600	22,100	32,100
(21)	4-5	29,800	24,600	34,200
(15)	5-6	32,700	26,100	37,500
(19)	6-7	35,100	38,900	39,200
(22)	7-8	38,000	31,300	46,600
132				

Table 2

Salaries and Experience in Commercial Banks

Sample #	Years of Experience	Salary Average	Salary Range	
			Min.	Max.
(14)	1-2	$20,800	$15,600	$27,100
(20)	2-3	23,600	18,400	29,800
(19)	3-4	28,600	23,200	34,700
(19)	4-5	31,500	27,900	38,800
(19)	5-6	34,700	32,000	41,700
(12)	6-7	39,700	34,900	44,200
(14)	7-8	44,300	37,200	51,600
117				

Table 3

Salaries and Experience in Savings and Loans

Sample #	Years of Experience	Salary Average	Salary Range	
			Min.	Max.
(11)	1-2	$17,100	$14,200	$21,200
(14)	2-3	19,300	16,300	22,600
(15)	3-4	21,800	18,100	23,900
(12)	4-5	25,600	21,000	27,600
(13)	5-6	27,800	24,200	32,200
(14)	6-7	30,100	27,700	36,000
(8)	7-8	34,300	30,200	42,600
87				

this awareness, they are making proper salary increases. This has helped to establish higher salary levels in high cost of living areas in most industries.

Institution size

In every field of the financial industry examined in this survey there are discrepancies in the salary levels of its employees in relation to the size and activity of the company in the commercial real estate mortgage lending business.

However, of the top 20 percent of the companies in their respective fields, 76 percent had salary levels equal to or above the average of the group as a whole. This statistic indicates that a general correlation not only exists between the lending volume and salary levels, but also the size, complexity, and sophistication of individual transactions.

Education

Over the past ten years, the value and importance of the MBA degree has grown considerably in the financial industry, not only for the advanced education, but also to set a corporate image. Because of the increased importance and demand by companies for the MBA, the marketability of degreed individuals and, subsequently, their salaries, have increased both within the industry and in the private business sector. A few financial companies have listed the MBA degree as a minimum qualification for hiring. Due to a limited sample number, no firm statistical data was generated to provide specific salary differences in relation to education level.

Conclusion

There are many reasons why a professional in the financial field changes employers. Geographic location, upward mobility, corporate/personal stability, and remuneration are all valid reasons. In our inflationary economy, the area of compensation has become an increasingly important factor in professionals making career changes.

As an executive search firm specializing in the real estate industry on a national basis, we have been exposed to the changes and variances in the compensation levels of the professionals within the industry. We feel that the main reason institutions are having a turnover problem in this area of commercial mortgage lenders is that they have not made a strong effort to continually assess and evaluate their own compensation standards against both their institutional counterparts as well as other industrial competitors. As more institutions begin to do this, they will not only lower turnover but will achieve equitable salary levels. □

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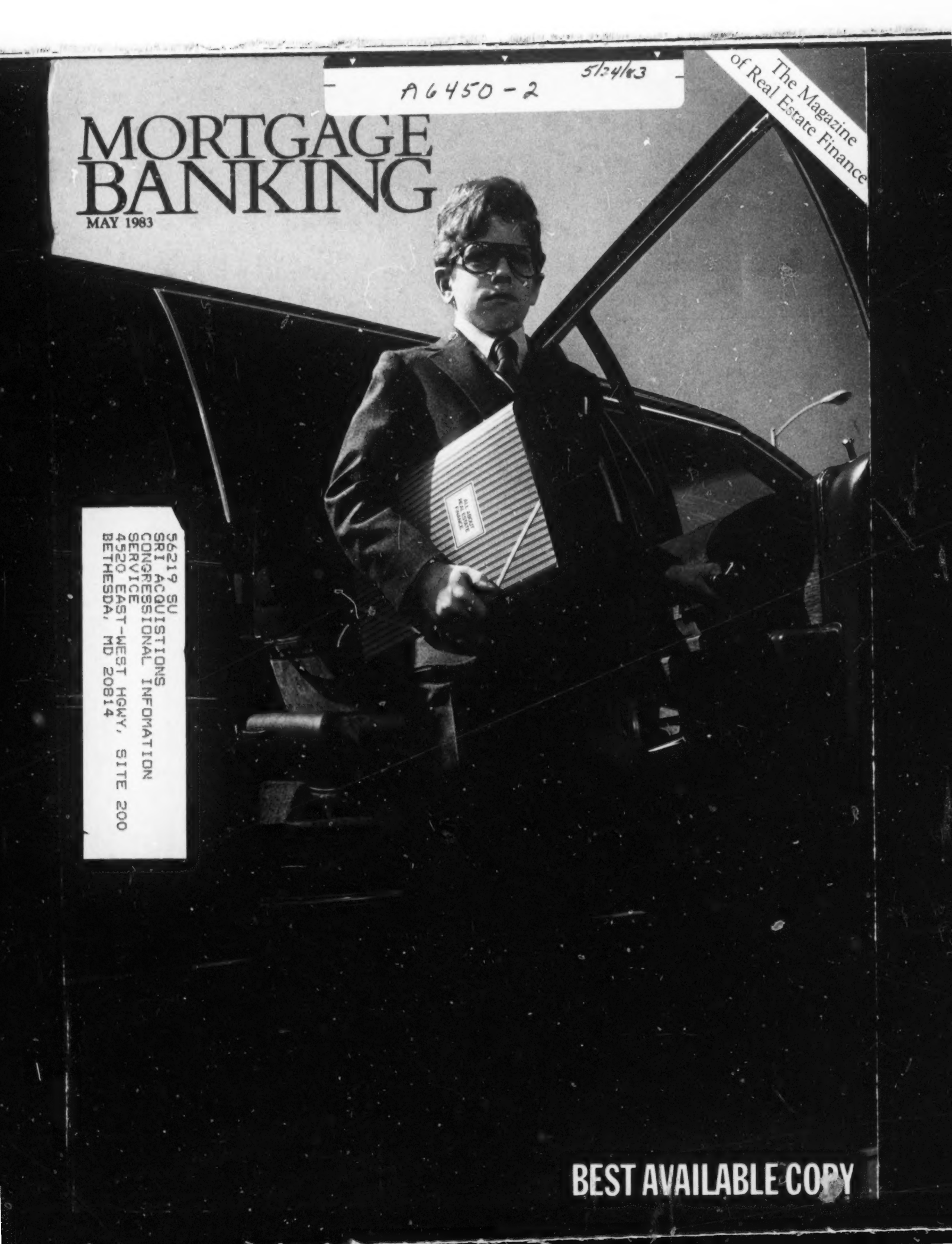
MORTGAGE BANKING

MAY 1983

The Magazine of Real Estate Finance



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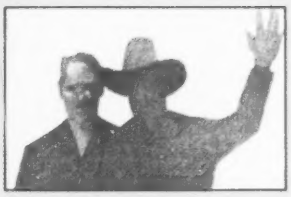

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MULTIFAMILY HOUSING:

HELP ON THE WAY?

MELODYE ROSALES

R. Wade Norris

The past several years have been trying ones for the U.S. housing industry. The period from 1979 to 1981 was marked by one of the most dramatic rises in interest rates in the country's history, commencing with the Federal Reserve's raising of the discount rate by a full percentage point in October 1979 and again in February 1980.

During this three-year period, the Bond Buyer 20-Bond Index (BBI) almost doubled, rising from a level of approximately 6.50 in the fall of 1979 to a record high of 13.44 on January 14 of 1982—a rise of almost 700 basis points. Almost half of this historic rise occurred during 1981, when the BBI rose over 300 basis points.

This historically unparalleled rise in interest rates was accompanied by a similarly dramatic plunge in both single- and multifamily housing production. As is shown in the chart on p. 60, total housing starts in the U.S. fell from a recent high in 1978 of approximately two million starts per year to slightly above one million starts in 1981, a decline of roughly 50 *continued*

percent. Multifamily housing starts, consisting of sales (condos and cooperatives) and rentals, followed a similar though somewhat less dramatic pattern during the same period, declining from a high of 587,000 units in 1978 to 379,000 units in 1981, a decline of roughly 35 percent.

Multifamily rentals

Nearly all of the decline in multifamily housing starts was borne by multifamily rental units, with sales of condos and cooperatives remaining more or less constant throughout this period. The net result for multifamily rental housing, like that for housing in general, bordered on the catastrophic, with multifamily rental starts in 1981 totalling 221,000 units, down 52 percent from the prior 1978 high of 455,000 units, and approximately equal to the prior record low of 223,000 multifamily rental units produced in 1975 following the historic housing industry shakeout in 1973-1974.

When compared to the levels of housing production attained in the late 1960s and early 1970s, the figures for housing starts of all types during the 1979-1981 period were roughly one-half their level a full decade earlier.

The general pattern for HUD-subsidized rental housing during this period was much the same; however, HUD-subsidized housing starts showed less sensitivity to interest rate developments than did conventional

R. Wade Norris is a partner in the Washington, D.C. law firm of Haynes & Miller, where his principal area of practice is in tax-exempt finance. After completing an MBA in systems analysis and finance at Stanford University, he graduated from Duke University Law School where he was editor-in-chief of the Duke Law Journal. *He practiced with King & Spalding, Atlanta, Georgia, in the areas of corporate securities and municipal bond law before joining Haynes & Miller in June 1980.*

"Nearly all of the decline in multifamily housing starts was borne by multifamily rental units, with sales of condos and cooperatives remaining more or less constant throughout this period. The net result for multifamily rental housing, like that for housing in general, bordered on the catastrophic."

construction starts while, not surprisingly, showing considerable sensitivity to changes in HUD policy. HUD-subsidized housing starts generally rose during the late 1970s to a high of 178,000 units in 1978, or approximately 39 percent of all the multifamily rental housing units produced in that year. In 1979 and 1980, HUD-subsidized starts defied the downward trend in housing by declining much more slightly to a level of approximately 162,000 units in both years. The 1980 HUD-subsidized starts were undoubtedly supported by the adoption of the first Financing Adjustment Factor (FAF) under the Section 8 program.

However, the accelerating rise in interest rates that occurred in 1981, together with the lack of an effective successor to the original FAF regulation, caused HUD-subsidized housing starts to fall by almost 50 percent in that year alone to 81,000 units. There can be little wonder why those involved in the financing of HUD-subsidized projects were not pleased with these results.

Counteracting the demise

It is useful to recall the industry's response to these developments, as investment and mortgage bankers attempted to employ several basic financing techniques to hold project loan rates down to feasible levels in the rising interest rate environment.

The first technique used was credit enhancement. Many of us recall that most tax-exempt financings of multifamily housing prior to 1978 relied solely on project revenues and possibly on payments to be received under a Section 8 contract to secure the outstanding bonds. However, since the commencement of the interest rate spiral in the fall of 1979, virtually all such financings have been backed by the credit of a state housing finance agency or the additional security provided by an FHA insured mortgage loan.

Similarly, for conventional multifamily apartment financings, loans-to-lenders and collateralized loans-to-lenders structures were developed to enhance the credit rating and thus hold a ceiling on project financing rates. As described above, these techniques were effective, particularly during 1980, in eliciting a substantial, though reduced, volume of multifamily housing production. However, when interest rates rose in 1981, feasible financing rates became unobtainable even with the AA or AAA credit rating that most of these devices provided.

Investment and mortgage bankers then turned to a second basic technique to reduce rates further—that of shortening the maturity of the obligations issued to finance a project. One of the early examples was the 12-year "balloon" structure used in many of the collateralized loans-to-lenders financings and more recently in the highly successful but apparently short-lived FSLIC/FDIC certificate of deposit financings.

Another successful example of maturity shortening has been the MBIA/FHA combined insurance program, under which MBIA (The Municipal Bond Insurance Association) insures a bond issue structured around an FHA-insured mortgage loan and agrees to retire the bond issue at the end of approximately 23 years without creating any balloon obligation on the underlying 40-year project mortgage loan.

Even these types of devices, however, were not effective in generating

continued

a meaningful volume of financings when interest rates were at their highest points during 1981. Although the shortened maturity structure of the collateralized loans-to-lenders deals had been available throughout most of that year, very few of such financings were closed in 1981. Even the MBIA program enjoyed only limited success in May and June of 1982, when interest rates had moved back up towards the record highs established earlier that year and the yield curve had become relatively flat between 20- and 40-year obligations.

Track record: 1982

To everyone's relief, 1982 proved to be a much brighter year than its immediate predecessor. Total housing starts in the country, as well as total multifamily starts, roughly stabilized during the year at their 1981 levels. However, multifamily rental starts actually showed a modest increase from 221,000 units in 1981 to 259,000 units in 1982. While final figures are not yet available for HUD-subsidized housing, it is likely that the 1982 level reversed most of the losses in 1981 and once again approached the 125,000 to 150,000 unit level.

This remarkable rebounding of HUD-subsidized housing production has resulted in large part from two factors. The first of these was the adoption of the new Financing Adjustment Factor (the so-called "Son of FAF") in the fall of 1981, accompanied by a moderate decline in rates from the 13.44 record BBI in January 1982 to approximately 12.0 in April and May of 1982.

The second and probably even larger factor has been the precipitous decline in interest rates that occurred in the two months beginning in mid-August of 1982, when the BBI fell from 11.86 on August 12 to a low of 9.25 on October 14, declining 104 basis points in the first week alone. The net result was that for the first eight or nine months of 1982, the long-term tax-exempt markets regained

"While it appears that tax-exempt bonds backed by FSLIC/FDIC insurance may soon be a thing of the past, it seems likely that variations on that technique will be developed, just as the FSLIC/FDIC technique grew out of the collateralized loans-to-lenders financings."

fully one-half of the ground that had been lost during the preceding three-year period, with the BBI declining over 400 basis points between the January 14, 1982 high of 13.44 and the October 14, 1982 low of 9.25.

Outlook for 1983

Most analysts seem to agree that a continuing decline, "sideways movement," or modest recovery in economic activity during 1983, will likely lead to declines in both short- and long-term interest rates. In a widely publicized 1983 forecast released in December 1982, Salomon's Henry Kaufman projected that short-term rates would continue to fall 1.5 to 1.75 percentage points and that long-term rates would drop .75 to 1.25 percentage points during 1983, with most of the drop occurring before mid-year. While the report is now somewhat dated, its housing predictions are notable. The Kaufman report projected that:

> "Sharp" declines in mortgage rates, combined with mortgage financing "innovations," will spur a "surge" in housing [in 1983]. Housing starts, led by a surge in single-family units, will rise to 1.35 million to 1.4 million units in 1983 from an estimated 1 million units in 1982. Housing starts are expected to climb to nearly 1.5 million to 1.6 million starts, at a seasonably adjusted annual rate, by next year's [1983] fourth quarter.

As the above quote suggests, it seems likely that much of this projected gain in housing production will be focused on single-family units. For those of us who have traditionally been involved principally in the financing of subsidized multifamily housing units, the coming year is likely to be one of major countervailing developments.

First, a further decline in long-term rates of roughly 1 percentage point would possibly add as much as six to eight points to the feasibility of many deals, although the negative arbitrage that may be anticipated from an even greater decline in short-term rates might result in the net gain being roughly one-half to two-thirds of that figure. On the other hand, the substantial elimination of the Section 8 new construction and substantial rehab programs during 1983, together with the major cutbacks in the GNMA tandem program, are major factors that must be considered by all of us who have been so heavily involved in these financings, as well as by the multifamily rental market in general.

The 1983 U.S. Industrial Outlook published earlier this year by the Commerce Department projects an increase of 25 percent for multifamily housing to about 475,000 units in 1983. While the outlook provides no breakdown, it seems likely that much of the gain will go to sales of new condominium and coop units. The extent to which rental units share in the increase will depend largely upon the extent to which lower rates in the financing markets allow conventional or nonsubsidized units to absorb and overcome the dramatic projected decline in subsidies under the Section 8 program.

It seems likely that a solid foundation for strong production of multifamily rental units has been laid in 1983 by the widespread success of the FSLIC/FDIC program, which it now appears will be ended (at least in combination with tax-exempt financing) by Congressional action effective as early as April 15 of this year. Ac-

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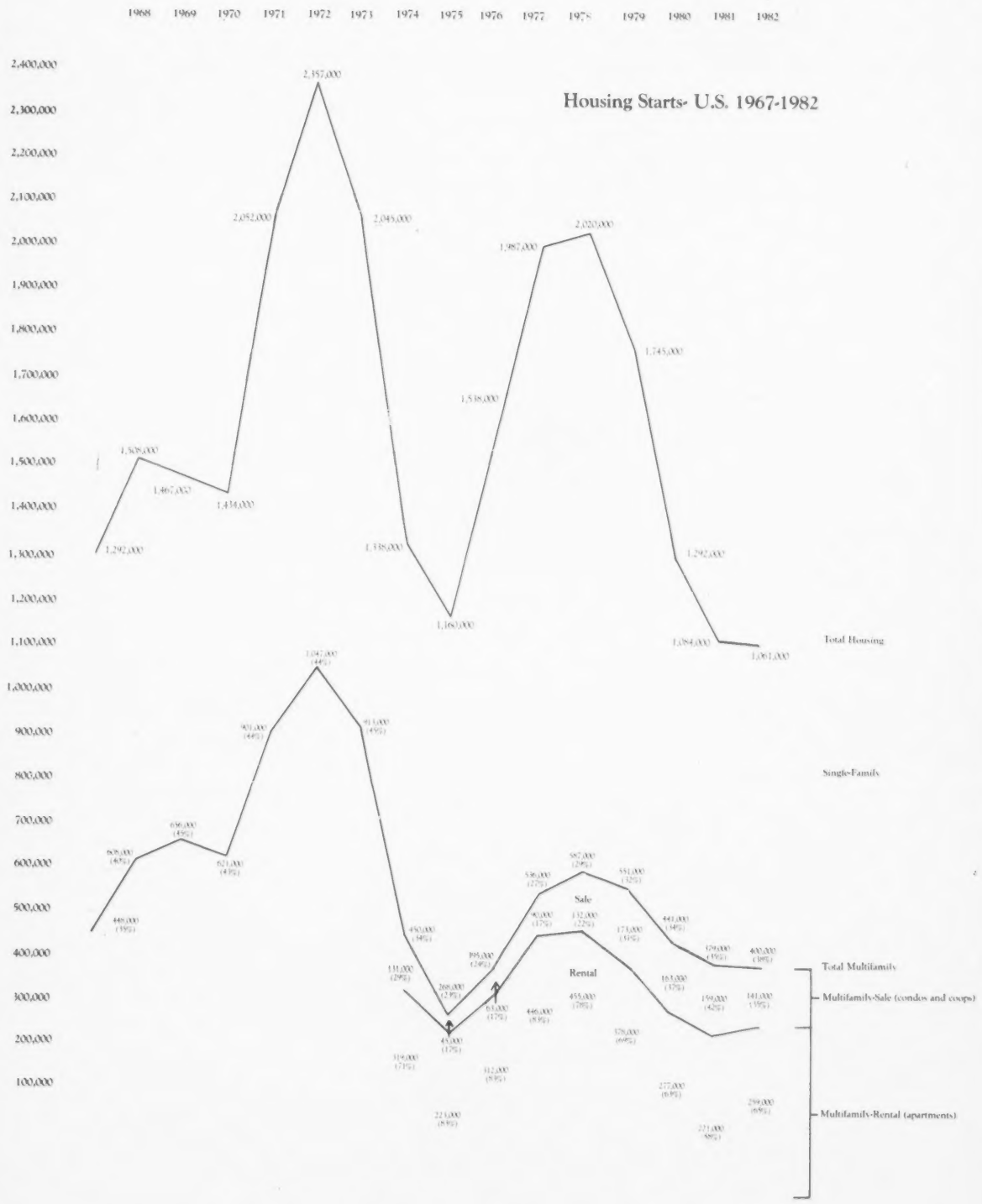

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able developments in the financing markets.

Given the volatility of interest rates over the past three years and the poor track record of almost everyone in predicting them, it is not at all difficult to conceive a scenario in which interest rates could rise again by several hundred basis points over a period of months, or even weeks, that would place multifamily housing producers in the virtual "housing draught" we were experiencing as recently as early 1982.

Another principal lesson to be learned from an analysis of the past several years is the need for targeting new markets in multifamily housing finance and designing new financing vehicles to develop those markets. It seems unlikely that the country will soon again, if ever in the next decade, experience the levels of housing production attained in the early 1970s. Toward the end of this decade, the post-baby boom generation will have moved out of the prime homebuying years, and it seems unlikely that the demographics will continue to support the levels of development and financing of detached single-family homes and traditional apartment units that we have seen in the past. These developments suggest that identifying new markets, such as financings for congregate and life care facilities, nursing homes, and hospitals, merits special attention.

We must also continuously work within each of these markets to develop new financing tools to respond to the unprecedented volatility in interest rates that we have witnessed over the past several years. Assuming the projections for continued interest rate declines prove well-founded, we will soon be in an era when substantial savings may be realized from refunding debt issues brought to market during the record highs of 1981 and early 1982. A number of such financings are already under way, and many feel that an even larger volume of such transactions may be within 100 basis points of current long-term rates.

On the other hand, if interest rates reverse their current decline and move back toward their previous highs or beyond, we must continue to use the basic financing techniques of credit enhancement, shortening of maturity, combination of debt and equity, and other such mechanisms to prosper in tomorrow's financial environment. We also must respond to the changing government and regulatory framework by developing coinsurance programs, programs to finance moderate rehab projects, and programs for the acquisition of existing structures that may be added to the rental housing stock.

Such a twofold approach of capitalizing on proven financing techniques in the current favorable markets while simultaneously developing new markets and financing techniques should lead to our continued success in 1983 and the following years.

Lower income housing: forgotten market

Very few people dispute that, commencing with the virtual elimination of the Section 8 new and substantial rehab program in 1983, the federal government drastically reduced its support for low-income housing production in the United States. At the same time, the Administration's current economic policies may be sowing the seeds of a potentially dramatic demand for such housing in the years to come. Recent reports by the Congressional Budget Office and the Urban Institute, as discussed in the December 7, 1982 issue of the *Wall Street Journal*, suggest that the net effect of current domestic policies is a dramatic reversal of social programs over the past 50 years: the rich are getting richer and the poor are getting poorer. According to the Urban Institute:

> A counter-revolution is underway, after a half century of growing federal efforts to stabilize the economy, insure individuals against misfortune, redistribute income and opportunity and respond to other perceived national needs.

These reports indicate that the net impact of the current Administration's policies on households in 1983, when the last stage of the 25 percent cut in personal income tax rate is in effect, will be to reduce the net household income for households earning less than $10,000 a year by $240 or 2.4 percent, while actually increasing the net income in the $80,000 and up income category by $15,130, or as much as 10 percent to 15 percent.

The studies further show that the 2 million families somewhat above the poverty line will suffer a decline of real income of more than 4 percent, "with the greatest relative losses occurring to those with incomes just above the poverty line." The *Journal* article continues by stating that: "After a long decline, the incidence of poverty in the U.S. has recently turned up. The incidence of poverty fell to 11.6 percent in 1979 from 17.3 percent in 1965; it rose to 14 percent in 1981."

There seems to be little doubt that as these trends continue, pressures will quickly develop for government and private industry to find an effective replacement for the Section 8 new construction and substantial rehabilitation program, which has provided the bulk of low income housing in the country since its introduction in the early 1970s. All of us must begin now to plan the framework for what seems almost certain to become one of the country's most basic and most pressing social needs. □

This article is based upon remarks made by the author at several seminars on housing finance held in December 1982 and January 1983. The article reflects information and figures available as of April 1, 1983.

MORTGAGE MARKET TRENDS

Prepared by MBA's Economics Department

April 14, 1983

Housing is leading the current economic recovery with mortgage banking moving to the forefront of housing finance. February housing starts were at a seasonally adjusted annual rate of 1.756 million, 93 percent above February 1982's depressed level. One-family starts were 85 percent above one year ago. Another important barometer, new home sales, was down slightly in February from January's weather-induced high, but was still 49 percent better than the level of a year earlier. Sales of new homes should remain strong into the prime home buying months. Starts of new homes should also continue to increase because the inventory of unsold homes is still low, in both absolute numbers and in relation to current sales levels. Construction of houses is being aided by a surge in the availability of construction financing, especially from savings and loan associations. These institutions are putting large amounts of their new money market accounts into construction loans tied to the prime rate.

This growth in construction underlies what we hope will be a broad-based and sustained economic recovery. The preliminary "flash" estimate of Gross National Product for the first quarter this year shows that GNP grew at a 4 percent annual rate. This GNP growth is the strongest sign so far that the recovery has begun in this quarter. There are some signs that the consumer is not yet fully committed to the kind of spending needed to boost the economy significantly. Most of the GNP increase projected by the Commerce Department is in inventory re-stocking rather than final sales. However, consumer confidence is rising rapidly, and retail sales rose at a 3.7 percent annual rate in March.

Inflation is continuing to moderate on both the wholesale and retail price fronts. Producer prices rose a scant 0.1 percent in February while consumer prices actually declined 0.2 percent that month. Both measures indicate that there is little chance of a major resurgence of inflation this year. In fact 1983's consumer price inflation could be less than 1982's 3.9 percent. Both years compare very favorably with 1979 when prices rose 13.3 percent. The decline in inflation will add to consumer confidence and increased spending in the months ahead.

In light of the continued good news on inflation, interest rates should decline slightly over the short-term, reaching their lows by October, when mortgage bankers meet for MBA's Annual Convention in Dallas. Mortgage yields could fall about 50 basis points from their current levels. This decline will leave "real" interest rates very high compared with current and projected inflation rates. Money managers still fear the stimulative effects of the large Federal budget deficits, and they will continue to demand a large premium for accepting the risk of renewed inflation. This will keep interest rates higher than seems justified by current inflation indices.

In the realm of residential mortgage lending, mortgage bankers are rapidly approaching the number one position now held in the savings and loan industry. In January 1983, the latest month for which data are available from HUD, the mortgage bankers captured a 35 percent share of the 1-4 family market. Savings and loan associations are only very slightly ahead at 36 percent. This change reflects the growing importance of the national secondary market for mortgage loans. As experts in this market, mortgage bankers are developing a greater and greater share of total originations. Certainly savings and loans are likely to regain some of their market share as the recovery continues; this will be primarily due to the vast amounts of new money that they took in with money market accounts. But the most active savings and loans in the residential markets will be doing business like mortgage bankers. And mortgage bankers themselves will continue to compete effectively with the savings and loan industry.

Based upon the economy so far, the outlook for 1983 is very bright for the housing industry in general and mortgage banking in particular. Many opportunities exist for mortgage bankers to use the favorable economic climate to have the most profitable year since 1979.

Peter E. Brereton
Economist

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MORTGAGE MARKET TRENDS—MAY 1983

RESIDENTIAL STRUCTURES, BY UNIT TYPE
(Units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES[2] Actual			PERMITS 16,000 ISSUING PLACES[2] Seasonally Adjusted Annual Rate			HOUSING STARTS Actual			HOUSING STARTS Seasonally Adjusted Annual Rate		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1981												
NOV	54	35	19	723	476	247	64	47	17	863	651	212
DEC	57	35	22	789	544	245	60	40	21	899	635	264
1982												
JAN	47	29	19	832	528	304	48	34	14	877	655	222
FEB	50	32	18	795	509	286	51	37	14	911	644	267
MAR	79	51	28	851	541	310	79	59	20	920	675	245
APR	82	53	29	879	526	353	85	62	23	911	648	263
MAY	81	53	28	944	590	354	99	67	32	1,028	707	321
JUN	89	59	30	929	607	322	91	71	20	910	703	207
JUL	91	53	37	1,062	585	477	107	70	37	1,185	721	464
AUG	80	54	26	888	580	308	96	70	26	1,046	738	308
SEP	100	61	39	1,003	657	346	105	71	34	1,134	773	361
OCT	100	63	37	1,172	737	435	111	73	38	1,142	782	360
NOV	100	64	36	1,284	843	441	109	73	36	1,361	947	414
DEC	76	50	26	1,168	810	358	83	57	26	1,280	921	359
1983												
JAN	85	56	29	1,571	1,104	467	92	64	29	1,707	1,239	468
FEB	87p	58p	30p	1,614p	1,049p	565p	95p	65p	30p	1,756p	1,180p	576p
2 months												
1983	172	114	59				187	129	59			
1982	100	62	39				99	70	29			
1981	142	96	45				154	111	43			
1980	151	106	45				73	111	42			

VALUE OF NEW CONSTRUCTION PUT IN PLACE
(Dollars in millions)

Year and Month	Seasonally Adjusted Annual Rate Total	1 Unit	2+ Units	Non-Res.
1981				
NOV	113,057	34,608	16,377	62,072
DEC	113,827	34,288	16,863	62,676
1982				
JAN	115,136	35,446	15,821	63,869
FEB	115,975	34,557	15,800	65,618
MAR	117,171	34,725	17,563	64,883
APR	113,782	34,368	15,198	64,216
MAY	115,344	34,388	16,593	64,363
JUN	116,809	34,698	15,060	67,051
JUL	115,489	35,269	16,174	64,046
AUG	115,354	35,198	16,875	63,281
SEP	118,346	35,423	17,560	65,363
OCT	117,877	35,890	16,460	65,527
NOV	119,436	37,697	17,032	64,707
DEC	121,499	40,477	16,773	64,249
1983				
JAN	132,394	47,891	17,978	66,525
FEB	136,185p	50,917p	18,285p	66,983p

HOUSE SALES
(Units in thousands)

Year and Month	EXISTING HOUSES[3]	NEW HOUSES Sold	NEW HOUSES Available For Sale	NEW HOUSES Months Supply at Current Rate
1981				
NOV	146	27	278	10.5
DEC	130	29	272	9.4
1982				
JAN	116	27	273	8.5
FEB	134	28	267	9.0
MAR	181	35	268	8.6
APR	174	33	263	9.3
MAY	169	37	259	8.2
JUN	192	34	253	8.3
JUL	183	31	251	8.5
AUG	186	34	247	7.5
SEP	168	40	248	6.9
OCT	173	41	245	6.1
NOV	167	39	250	5.5
DEC	148	33	255	5.8
1983				
JAN	155	43	256	5.3
FEB	164p	43p	253p	5.7p
2 months				
1983	319	86		
1982	242	53		
1981	341	74		
1980	429	87		

RESIDENTIAL STRUCTURES, BY REGION
(units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES Actual North East	North Central	South	West	Seasonally Adjusted Annual Rate North East	North Central	South	West	STARTS Actual North East	North Central	South	West	Seasonally Adjusted Annual Rate North East	North Central	South	West
1981																
NOV	7	8	28	11	85	98	382	158	7	10	36	11	80	128	497	158
DEC	7	6	32	12	90	100	431	168	8	7	33	13	112	125	483	179
1982																
JAN	3	2	32	10	65	76	512	179	3	3	32	10	78	123	512	164
FEB	4	3	33	11	86	76	473	160	3	2	36	10	122	84	555	150
MAR	8	8	47	16	88	87	490	186	7	7	49	16	112	100	521	187
APR	9	10	46	17	97	105	506	171	9	14	47	15	104	157	484	166
MAY	10	13	41	17	110	145	488	201	12	16	54	18	117	144	578	189
JUN	10	12	46	20	105	118	499	207	10	18	44	19	98	157	462	193
JUL	9	12	45	24	101	140	555	266	11	15	62	18	104	159	725	197
AUG	13	10	42	17	113	106	485	184	12	16	49	16	119	164	567	196
SEP	12	15	51	21	114	131	530	228	16	15	54	20	138	141	629	226
OCT	13	14	51	22	135	139	635	263	10	20	58	23	108	156	628	250
NOV	14	13	56	17	171	160	718	235	14	15	63	17	160	183	773	245
DEC	8	7	41	21	118	147	614	289	8	7	47	21	122	155	714	289
1983																
JAN	5	6	56	16	156	215	889	311	5	6	63	18	158	234	1,004	311
FEB	7p	7p	51p	23p	33p	217p	799p	345p	7p	7p	58p	23p	258p	248p	905p	345p
2 months																
1983	12	13	107	41					12	13	121	41				
1982	7	5	66	21					7	5	68	19				
1981	9	13	81	37					8	14	75	36				
1980	10	16	78	47					9	14	87	45				

CONSTRUCTION STATUS
(units in thousands)

Year and Month	UNDER CONSTRUCTION Total	1-4 Units	5+ Units	COMPLETIONS Total	1-4 Units	5+ Units
1981						
NOV	732	465	267	92	66	26
DEC	682	427	255	105	75	30
1982						
JAN	657	413	244	72	48	24
FEB	644	407	237	63	41	22
MAR	646	412	234	73	50	23
APR	653	419	234	75	53	22
MAY	666	425	241	86	61	25
JUN	671	438	232	85	76	28
JUL	690	442	248	85	64	21
AUG	690	442	248	91	66	25
SEP	713	450	263	84	63	21
OCT	717	448	269	102	71	30
NOV	732	453	279	94	68	26
DEC	718	439	279	96	68	28
1983						
JAN	728	442	286	81	60	21
FEB	749p	455p	294p	76p	53p	23p
2 months						
1983				157	113	44
1982				134	89	45
1981				181	140	40
1980				251	183	68

INTEREST RATES AND YIELDS

Year and Month	1-4 UNIT MORTGAGES FHA Opinion Survey FHA New[1]	Conventional New	Conventional Existing	FHLBB Survey Conventional New	Conventional Existing	APARTMENTS[4]	CONSTRUCTION LOANS[5] ALL TYPES	FNMA FMS Auction Yields on 4 mo. Commitments[6] FHA/VA	FNMA Conv.	GNMA Current Securities Yield	SELECTED SECURITIES Aaa Utility New Issue	U.S. Gov't. 10-yr	U.S. Gov't. 26-wk	Prime Commercial Paper 90-119 Days	SPREADS (Basis Points) FHA New Minus Aaa Utility	GNMA minus 10-yr Gov't.
1981																
NOV	15.98	16.95	17.00	16.38	16.38	16.87	19.46	16.709	17.250	15.09	15.56	13.39	11.530	12.16	31	170
DEC	16.43	17.00	17.00	15.89	16.02	17.38		16.630	16.931	15.38	15.20	13.72	11.471	12.12	123	166
1982																
JAN	17.38	17.30	17.30	15.25	15.92	18.13		17.890	17.330	16.22	15.68	14.59	12.930	13.09	170	163
FEB	17.10	17.20	17.20	15.12	15.73	17.38	17.86	17.993	17.912	16.24	15.93	14.43	13.709	14.53	117	181
MAR	16.41	16.80	16.85	15.67	15.65	16.88		17.265	17.064	15.83	15.26	13.86	12.621	13.80	115	197
APR	16.31	16.65	16.75	15.84	16.00	16.88		n.a.	16.678	15.56	15.83	13.87	12.861	14.06	48	169
MAY	16.19	16.50	16.55	15.89	16.11	16.88	17.80	16.267	16.310	15.26	15.22	13.62	12.220	13.42	97	164
JUN	16.73	16.75	16.80	15.40	15.56	17.62		17.216	16.700	15.89	15.92	14.30	12.310	13.96	81	159
JUL	16.29	16.50	16.55	15.70	15.52	17.13		17.199	16.820	15.54	15.61	13.95	12.236	12.94	68	159
AUG	14.61	15.40	15.45	15.71	15.63	15.62	17.19	15.780	15.740	14.31	13.95	13.06	10.105	10.15	66	125
SEP	14.03	15.05	15.05	14.99	15.30	15.37		n.a.	15.363	13.51	13.50	12.34	9.539	10.36	53	117
OCT	12.99	13.95	13.95	14.41	14.95	14.13		n.a.	13.917	12.86	12.20	10.91	8.299	9.20	79	195
NOV	12.82	13.80	13.80	13.81	14.29	13.88	15.14	n.a.	13.748	11.85	11.76	10.55	8.319	8.69	106	130
DEC	12.80	13.62	13.64	13.70	13.95	13.37		n.a.	13.729	12.00	11.84	10.54	8.225	8.51	96	146
1983																
JAN	12.87	13.44	13.45	13.49	13.54	13.88		n.a.	13.697	11.89	12.05	10.46	7.898	8.17	82	143
FEB	12.65	13.18	13.19	13.17p	13.43p	13.75		n.a.	n.a.	12.20	12.08	10.72	8.233	8.34	110	148

LONG-TERM MORTGAGE LOANS CLOSED

(Dollars in Millions)

Year and Month	BY TYPE OF INSTITUTION					BY TYPE OF UNIT, AND INSTITUTION														
						1-4 Units					5+ Units					Nonresidential				
	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.
1981																				
SEP	10,112	2,250	3,496	3,553	813	7,377	1,900	3,063	2,363	51	374	30	114	152	78	2,421	380	319	1,038	684
OCT	10,032	2,110	3,206	3,634	1,082	6,579	1,550	2,818	2,181	30	584	270	143	152	19	2,999	420	245	1,301	1,033
NOV	8,227	1,890	2,809	2,778	750	5,593	1,520	2,421	1,620	32	342	40	159	126	17	2,292	330	229	1,032	701
DEC	9,778	2,290	3,302	3,119	1,062	6,261	1,660	2,669	1,887	45	555	170	184	174	27	2,777	280	449	1,058	990
1982																				
JAN	7,691	2,030	2,410	2,471	780	4,991	1,560	1,975	1,440	16	452	90	168	168	26	2,388	520	267	863	738
FEB	8,302	2,140	2,600	2,966	596	5,519	1,760	2,097	1,620	42	598	120	246	178	54	2,215	290	257	1,168	500
MAR	10,600	3,180	3,160	3,465	795	6,957	2,420	2,626	1,872	39	477	90	207	129	51	3,096	600	327	1,464	705
APR	9,755	2,900	3,100	3,071	684	6,721	2,420	2,582	1,674	45	469	50	177	172	70	2,535	400	341	1,225	569
MAY	9,689	3,080	3,193	2,899	517	6,626	2,450	2,541	1,597	38	479	190	163	111	15	2,614	470	489	1,191	464
JUN	11,792	3,440	4,041	3,826	485	8,153	2,850	3,258	1,995	50	687	180	271	223	13	2,932	390	512	1,608	422
JUL	10,874	2,940	3,427	3,661	846	7,361	2,330	2,922	2,049	60	501	70	206	177	48	2,862	390	299	1,435	738
AUG	10,108	2,710	3,601	3,251	546	7,412	2,500	2,909	1,958	45	543	40	280	210	13	2,423	440	412	1,083	488
SEP	10,807	2,620	3,858	3,855	474	7,911	2,460	3,130	2,276	45	563	20	295	226	22	2,393	200	433	1,353	407
OCT	10,954	3,080	3,529	3,764	581	7,637	2,480	2,817	2,296	44	781	340	216	210	15	2,646	370	496	1,258	522
NOV	13,450	4,460	4,026	4,458	506	10,067	3,930	3,148	2,935	54	702	220	337	107	38	2,751	380	541	1,416	414
DEC	19,578	5,850	6,443	5,724	1,561	13,941	5,390	4,778	3,705	68	1,025	50	605	297	73	4,482	280	1,060	1,722	1,420
1983																				
JAN	n.a.	n.a.	4,755	4,491	780	n.a.	n.a.	3,621	2,586	48	n.a.	n.a.	529	244	41	n.a.	n.a.	605	1,661	691

LONG-TERM COMMITMENT ACTIVITY

(Dollars in Millions)

Year and Month	OUTSTANDING					ISSUED DURING MONTH				
	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.
1981										
AUG	50,623	8,660	19,741	8,605	13,617	8,108	3,510	3,250	1,035	313
SEP	48,166	6,540	18,654	9,515	13,457	7,949	1,820	2,751	2,521	857
OCT	44,888	6,310	17,897	8,045	12,636	6,641	2,340	2,716	1,233	352
NOV	42,713	4,750	17,416	8,319	12,228	5,958	1,920	2,507	1,167	364
DEC	44,917	7,440	16,887	9,130	11,460	7,183	3,150	2,823	940	300
1982										
JAN	44,598	8,070	16,653	9,025	10,850	7,237	2,940	2,261	1,743	293
FEB	43,552	7,740	16,529	8,794	10,489	7,480	3,080	2,844	1,131	425
MAR	46,125	8,910	16,664	9,630	10,921	10,005	4,130	3,347	1,564	964
APR	48,376	9,090	17,186	11,381	10,719	10,329	4,650	3,390	1,579	710
MAY	49,695	9,390	17,362	12,345	10,598	9,690	4,180	3,350	1,627	533
JUN	49,270	9,240	17,327	12,543	10,160	8,765	3,220	3,597	1,648	300
JUL	49,726	9,610	16,951	13,436	9,729	9,171	3,410	3,537	1,679	545
AUG	50,855	10,410	17,748	13,192	9,505	9,646	3,750	3,847	1,615	434
SEP	51,994	11,350	18,241	13,108	9,295	11,139	5,290	3,888	1,466	495
OCT	54,730	13,610	19,328	12,512	9,280	13,394	7,040	4,024	1,620	710
NOV	60,452	16,540	20,785	13,457	9,670	16,226	8,060	5,017	1,819	1,330
DEC	65,375	19,940	21,548	14,267	9,620	17,913	7,780	6,082	1,991	1,304
1983										
JAN	n.a.	n.a.	22,945	13,307	9,700	n.a.	n.a.	5,555	1,892	1,200

MORTGAGE INSURANCE

(Units in thousands, dollars in millions)

Year and Month	APPLICATIONS RECEIVED UNITS			INSURED							
		FHA/		Total		FHA (203)		VA		Private	
	Total	VA	Private	Units	Amt.	Units	Amt.	Units	Amt.	Units	Amt.
1981											
AUG	68	38	32	52	2,800	10	422	12	696	30	1,682
SEP	62	30	32	55	2,876	15	620	11	660	29	1,596
OCT	51	24	27	43	2,310	8	341	9	485	26	1,484
NOV	47	24	23	41	2,119	10	389	8	464	23	1,266
DEC	62	38	24	38	1,957	8	311	6	357	24	1,289
1982											
JAN	48	31	17	31	1,726	7	270	6	327	18	1,129
FEB	54	32	22	32	1,785	8	356	7	393	17	1,036
MAR	69	37	32	39	2,193	9	373	7	421	23	1,399
APR	63	34	29	35	1,976	8	322	6	374	21	1,280
MAY	67	31	36	43	2,222	8	335	6	328	29	1,559
JUN	83	40	43	50	2,743	9	408	8	443	33	1,892
JUL	84	38	46	52	2,687	9	375	9	482	34	1,830
AUG	82	36	46	54	2,997	8	352	10	573	36	2,072
SEP	91	47	44	60	3,248	11	462	13	743	36	2,043
OCT	103	59	44	52	2,826	10	425	6	385	36	2,016
NOV	104	60	44	53	2,920	11	498	8	455	34	1,967
DEC	175	125	50	63	3,471	16	703	9	564	38	2,204
1983											
JAN	171	97	74	43	2,181	14	637	11	630	18	914

SECONDARY MARKET ACTIVITY

(Dollars in Millions)

Year and Month	FNMA					FHLMC			GNMA	
	4-Month Commitments				12 Month Convert Standby	Comm.	Purc.	Sold	Pass-Through Securities	
	FHA/VA		Conventional							
	Bid	Accept	Bid	Accept					Applications	Issued
1981										
JUN	298	265	307	224	204	293	139	94	4,380	1,382
JUL	405	354	306	238	201	865	242	238	2,050	1,599
AUG	602	352	624	252	113	308	101	44	2,339	959
SEP	400	133	359	120	0	365	393	249	8,106	1,184
OCT	82	37	43	27	0	1,834	290	244	571	739
NOV	105	41	149	63	0	2,011	416	598	1,298	795
DEC	81	34	84	48	0	203	1,140	1,156	1,729	1,304
1982										
JAN	51	31	32	12	0	3,280	1,629	1,628	1,543	902
FEB	51	23	29	14	0	565	1,228	1,115	1,789	960
MAR	57	33	65	32	0	2,523	1,481	1,564	2,223	1,335
APR	n.a.	n.a.	38	23	0	2,824	2,144	2,176	1,219	835
MAY	42	7	39	23	0	2,692	1,214	1,194	1,812	1,194
JUN	33	7	59	33	0	3,166	1,581	1,564	2,800	1,530
JUL	11	1	37	24	0	2,181	2,236	2,275	2,116	1,011
AUG	30	6	70	43	0	2,768	2,529	2,618	2,850	1,383
SEP	17	0	28	9	0	2,892	1,798	1,924	16,429	1,521
OCT	24	0	25	11	0	2,506	2,000	2,203	1,297	1,441
NOV	3	0	14	8	0	1,714	1,917	2,177	1,692	1,564
DEC	4	0	23	15	0	1,068	3,916	3,804	3,093	2,330
1983										
JAN	0	0	8	0	0	2,059	1,479	1,641	4,593	2,657

MORTGAGE BANKERS CONSTRUCTION AND LAND LOAN ACTIVITY

(Dollars in Millions)

Year and Month	DISBURSEMENTS DURING MONTH					OUTSTANDING COMMITMENTS TO BORROWERS			
	Construction				Land Loans				
	Total	1-4 Units	5+ Units	Non-res.		Total	1-4 Units	5+ Units	Non-res.
1981									
JUN	140	60	30	50	90	3,660	1,050	1,440	1,170
JUL	220	100	40	80	80	3,490	1,060	1,440	990
AUG	170	70	40	60	100	5,800	1,030	1,830	2,960
SEP	180	80	40	60	50	3,670	920	1,210	1,540
OCT	280	70	40	170	40	7,030	920	1,330	4,780
NOV	190	70	40	80	40	6,120	750	1,770	3,600
DEC	180	70	40	70	70	7,480	770	2,910	3,800
1982									
JAN	130	30	30	70	30	8,070	650	3,630	3,800
FEB	170	50	40	80	60	7,530	540	3,340	3,650
MAR	130	70	10	50	40	6,420	630	2,000	3,790
APR	360	70	80	210	60	7,820	560	2,330	4,930
MAY	130	50	30	50	40	8,150	660	3,230	4,620
JUN	180	60	40	80	70	7,660	590	2,250	4,820
JUL	160	50	30	80	40	8,900	580	2,250	6,070
AUG	150	60	20	70	50	4,420	690	1,570	2,160
SEP	170	70	30	70	30	6,180	980	2,730	2,470
OCT	170	90	30	50	30	5,540	480	2,340	2,720
NOV	180	110	20	50	20	5,370	590	2,170	2,610
DEC	230	100	40	90	50	5,680	880	1,940	2,860
1983									
JAN	150p	70p	30p	50p	50p	5,100p	970p	1,500p	2,630p

n.a.–Not available; p–Preliminary

[a]From the National Association of Realtors' "Existing Home Sales" series.

[b]Reflects cumulative total through the latest month for each column.

[c]Secondary market gross yields.

[d]Federal Home Loan Mortgage Corp. Existing construction only.

[e]Federal Reserve's weighted average interest rate for Commercial Banks.

[f]Weighted average gross yields for accepted bids.

[g]Survey of three New York security dealers. Securities for immediate delivery.

[h]Mutual Savings Banks and Commercial Banks.

Sources: American Council of Life Insurance, Board of Governors of the Federal Reserve System, Bureau of the Census, Citicorp Real Estate Inc., Department of Housing and Urban Development, Federal Home Loan Bank Board, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Mortgage Bankers Association of America, National Association of Mutual Savings Banks, National Association of Realtors, Veterans Administration.

MORTGAGE BANKING ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED[1]

Year and Month	SEASONALLY ADJUSTED				NOT SEASONALLY ADJUSTED								
						1-4 Units				5+ Units			
	Total[2]	1-4 Units	5+ Units	Non-Res.	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-[3] Res.
1981													
APR	3,330	2,750	70	440	2,910	2,380	940	660	780	80	30	50	450
MAY	3,650	2,730	270	710	3,340	2,460	900	630	930	160	140	20	720
JUN	3,310	2,680	50	610	3,270	2,810	850	630	1,330	50	30	20	410
JUL	3,130	2,430	110	490	3,290	2,690	760	600	1,330	120	110	10	490
AUG	2,900	2,360	340	480	3,360	2,700	790	630	1,280	330	20	310	330
SEP	2,250	1,900	30	380	2,610	2,180	530	420	1,230	50	40	10	380
OCT	2,110	1,550	270	420	2,440	1,870	480	350	1,040	170	0	170	400
NOV	1,890	1,520	40	330	1,820	1,430	400	290	740	40	10	30	350
DEC	2,290	1,660	170	280	2,530	1,800	600	390	810	190	0	190	540
1982													
JAN	2,030	1,560	90	520	1,830	1,390	410	340	640	100	60	40	340
FEB	2,140	1,760	120	290	1,820	1,380	470	280	630	120	90	30	320
MAR	3,180	2,420	90	600	2,790	2,110	600	340	1,170	80	60	20	600
APR	2,900	2,420	50	400	2,570	2,100	570	350	1,180	50	30	20	420
MAY	3,080	2,450	190	470	2,740	2,240	670	410	1,160	110	70	40	390
JUN	3,440	2,850	180	390	3,420	2,920	850	550	1,520	180	170	10	320
JUL	2,940	2,330	70	390	3,020	2,630	780	510	1,340	70	70	0	320
AUG	2,710	2,500	40	440	3,250	2,860	920	580	1,360	40	20	20	350
SEP	2,620	2,460	20	200	3,050	2,820	890	680	1,250	30	20	10	200
OCT	3,080	2,480	340	370	3,560	3,000	1,060	740	1,200	210	120	90	350
NOV	4,460	3,930	220	380	4,290	3,670	1,540	950	1,180	220	200	20	400
DEC	5,850	5,390	50	280	6,470	5,860	2,210	1,540	2,110	60	0	60	540
1983													
JANp	6,460	5,900	260	410	5,820	5,270	2,420	1,570	1,280	290	50	240	270
Year-to-date													
1983					5,820	5,270	2,420	1,570	1,280	290	50	240	270
1982					1,830	1,390	410	340	640	100	60	40	340
1981					2,750	1,620	600	480	540	770	240	530	360
1980					2,900	2,540	790	760	990	100	0	100	260

COMMITMENT ACTIVITY: LONG-TERM MORTGAGE LOANS

Year and Month	COMMITMENTS DURING MONTH								OUTSTANDING COMMITMENTS END OF MONTH					
	To Borrowers				From Investors				To Borrowers			From Investors		
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1981														
APR	3,300	2,460	70	770	3,200	2,190	110	900	7,340	490	760	7,140	990	1,180
MAY	3,150	2,710	110	330	6,970	4,690	210	2,070	7,420	490	690	6,830	960	1,390
JUN	3,190	2,600	60	530	3,550	2,550	160	840	7,080	460	700	7,000	940	1,380
JUL	2,990	2,630	40	320	4,590	3,730	50	810	7,170	570	640	7,180	980	1,220
AUG	3,510	2,680	10	820	2,880	2,050	30	800	7,270	610	780	7,110	1,130	1,430
SEP	1,820	1,610	90	120	2,330	1,530	120	680	5,260	470	810	5,690	870	1,520
OCT	2,340	1,770	170	400	2,560	1,850	200	510	5,190	280	840	5,280	510	1,130
NOV	1,920	1,320	180	420	4,250	1,490	190	2,570	3,720	390	640	4,170	610	1,150
DEC	3,150	2,370	170	610	2,470	2,020	160	290	5,890	950	600	4,280	1,240	710
1982														
JAN	2,940	[illegible]	240	410	3,290	2,430	140	720	6,370	1,000	690	5,380	1,260	880
FEB	3,080	[illegible]	90	780	3,620	2,470	60	1,090	6,220	810	710	4,550	1,130	930
MAR	4,130	[illegible]	120	1,000	2,850	2,560	140	150	7,730	480	700	5,610	710	930
APR	4,650	2,470	350	2,050	5,760	3,090	390	2,280	7,350	550	1,190	6,520	650	1,170
MAY	4,180	2,560	340	1,280	4,270	2,630	380	1,260	7,970	640	780	6,730	1,180	890
JUN	3,220	2,640	180	400	3,450	2,670	120	660	7,930	550	760	7,240	880	900
JUL	3,410	2,550	80	780	4,890	3,700	120	1,070	7,950	590	1,070	7,830	840	1,240
AUG	3,750	3,140	240	370	4,800	4,260	180	360	9,010	740	660	7,800	990	720
SEP	5,290	4,900	90	300	6,050	5,380	140	530	9,920	940	490	9,830	1,400	670
OCT	7,040	6,240	170	630	3,740	3,120	190	430	13,030	130	450	9,590	620	590
NOV	8,060	6,270	370	1,420	6,910	4,830	640	1,440	15,380	600	560	12,360	1,140	750
DEC	7,780	6,590	120	1070	6,870	5,260	120	1,490	18,890	680	670	11,880	940	810
1983														
JANp	5,900	5,020	110	860	7,360	6,030	120	1,210	16,030	520	720	13,110	1,050	910
Year-to-date														
1983	5,990	5,020	110	860	7,360	6,030	120	1,210						
1982	2,940	2,290	240	410	3,290	2,430	140	720						
1981	5,170	4,700	280	190	2,360	1,900	300	160						
1980	3,070	2,720	190	160	2,570	2,070	340	160						

Notes: [1]All dollar amounts are in millions.

[2]Total is seasonally adjusted separately from components. Total, therefore, may not equal sum of parts.

[3]Series labeled non-residential are also inclusive of farm data.

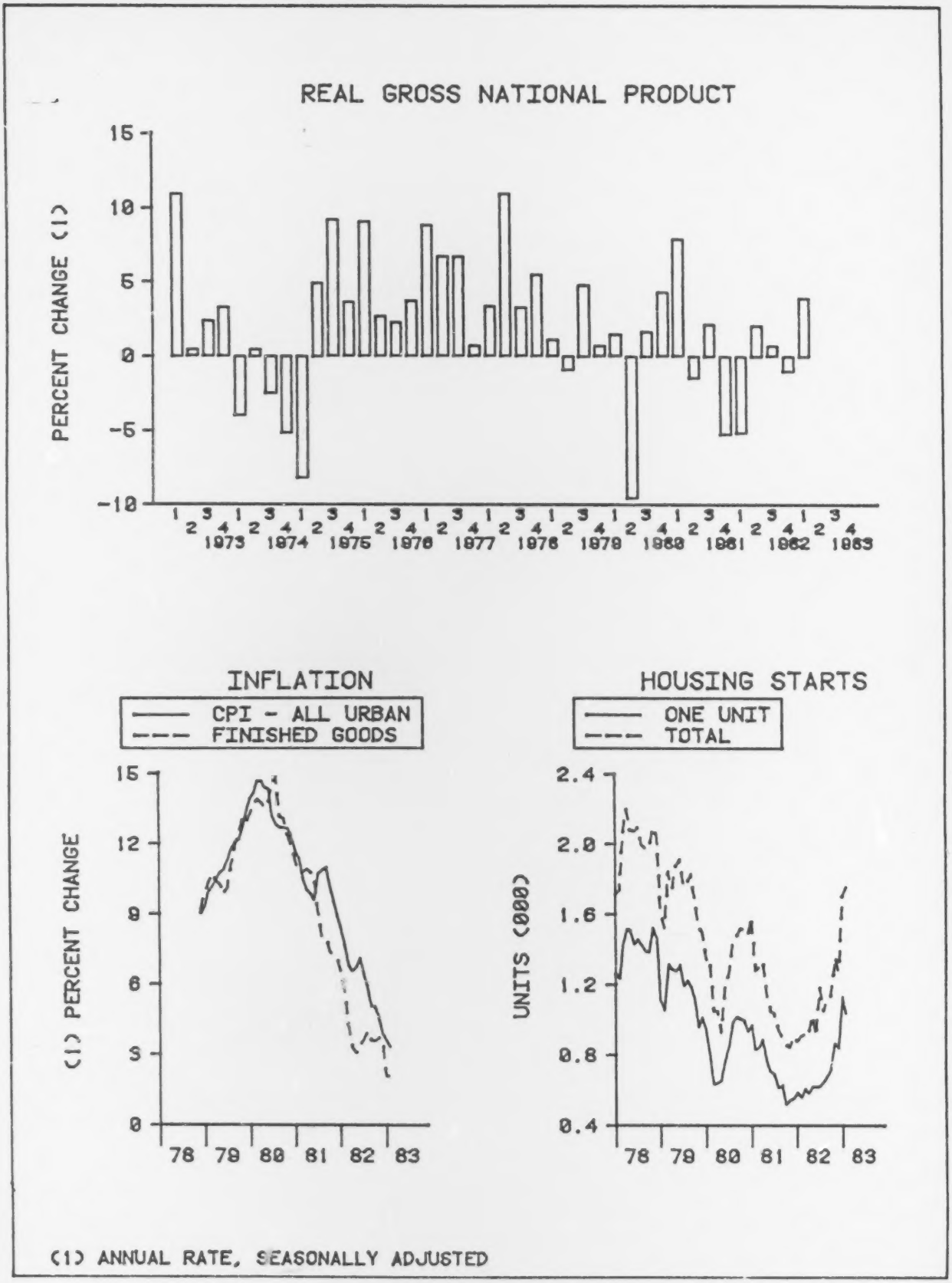
[4]Percent coverage equals outstanding commitments received from investors divided by the sum of outstanding end of month inventory and outstanding commitments issued to borrowers, all multiplied by 100.

CONSTRUCTION AND LAND LOAN ACTIVITY

Year and Month	OUTSTANDING END OF MONTH INVENTORY								COVERAGE*			SERVICING VOLUME		
	Total	1-4 Units				5+ Units			1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
		Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-Res.					
1981														
APR	4,000	2,730	780	560	1,390	620	40	580	650	71	89	84	208,400	20,320	39,390
MAY	4,280	3,020	820	650	1,550	560	40	520	700	65	91	100	208,100	19,870	38,990
JUN	4,300	3,090	850	620	1,620	520	50	470	690	69	96	99	214,430	20,220	39,000
JUL	4,140	2,860	760	570	1,530	620	50	570	660	72	82	92	219,360	21,500	42,510
AUG	4,180	2,910	770	550	1,590	560	10	550	710	70	97	96	216,870	24,020	41,880
SEP	3,990	2,660	640	470	1,550	460	40	420	870	72	94	90	195,370	19,140	39,590
OCT	4,330	2,640	580	400	1,660	570	60	510	1,120	67	60	58	214,730	20,730	46,680
NOV	3,580	2,220	480	340	1,400	570	60	510	790	70	64	80	188,070	19,880	37,990
DEC	4,330	2,280	470	320	1,490	1,230	160	1,070	820	59	57	50	212,560	22,750	39,210
1982															
JAN	4,510	2,340	490	340	1,510	1,240	170	1,070	930	62	56	54	222,860	23,790	44,400
FEB	4,100	2,140	440	320	1,380	1,120	200	920	840	54	59	60	223,400	22,860	44,140
MAR	4,160	2,470	520	320	1,630	710	100	610	980	55	60	55	235,950	26,690	43,830
APR	4,670	2,380	510	350	1,520	910	110	800	1,380	67	45	46	233,690	24,910	46,580
MAY	4,560	2,470	530	370	1,570	1,210	110	1,100	880	64	64	54	239,060	26,040	45,020
JUN	3,360	2,400	630	410	1,360	530	130	400	430	70	81	76	244,630	25,090	44,340
JUL	5,150	2,690	640	490	1,560	1,220	140	1,080	1,240	74	46	54	235,360	22,700	43,030
AUG	5,000	2,910	710	450	1,750	1,240	140	1,100	850	65	50	48	258,320	25,020	44,360
SEP	6,140	3,000	740	490	1,770	2,380	140	2,240	760	76	42	50	258,260	25,560	44,620
OCT	6,160	3,170	750	640	1,780	2,020	140	1,880	970	59	29	42	269,470	26,150	46,350
NOV	6,650	3,620	1,000	740	1,880	2,120	290	1,830	910	65	42	51	280,360	26,490	47,050
DEC	6,320	4,400	1,370	960	2,070	1,130	160	970	790	52	52	55	292,440	26,300	49,670
1983															
JANp	7,980	4,570	1,650	1,030	1,890	2,570	330	2,240	840	64	34	58	300,620	29,890	49,780

Year and Month	DISBURSEMENTS DURING MONTH					CONSTRUCTION LOANS CLOSED				END OF MONTH INVENTORY				
	Total	1-4 Units	5+ Units	Non-Res.	Land Loans	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Land Loans
1981														
APR	230	80	50	100	40	600	230	190	180	3,320	1,050	800	1,470	850
MAY	160	80	30	50	30	470	120	260	90	2,910	1,060	740	1,110	840
JUN	140	60	30	50	90	620	150	300	170	2,660	970	730	960	820
JUL	220	100	40	80	80	420	130	140	150	3,370	1,190	920	1,260	880
AUG	170	70	40	60	100	350	110	80	160	4,010	1,190	980	1,840	2,040
SEP	180	80	40	60	50	420	100	170	150	3,250	1,130	910	1,210	810
OCT	280	70	40	170	40	820	310	150	360	4,020	1,150	980	1,890	900
NOV	190	70	40	80	40	380	110	50	220	3,960	1,000	1,030	1,930	870
DEC	180	70	40	70	70	990	590	130	270	4,240	1,020	1,120	2,100	900
1982														
JAN	130	30	30	70	30	520	50	160	310	3,400	810	800	1,790	910
FEB	170	50	40	80	60	380	70	70	240	3,550	830	890	1,830	950
MAR	130	70	10	50	40	530	100	70	360	3,250	800	800	1,650	910
APR	360	70	80	210	60	550	90	180	280	3,810	820	960	2,030	1,010
MAY	130	50	30	50	40	690	80	200	410	3,740	780	960	2,000	970
JUN	180	60	40	80	70	810	80	380	350	4,290	840	1,090	2,360	1,020
JUL	160	50	30	80	40	510	60	320	130	4,210	840	960	2,410	970
AUG	150	60	20	70	50	620	100	250	270	3,480	900	920	1,660	1,000
SEP	170	70	30	70	30	370	90	160	120	3,840	960	950	2,290	1,000
OCT	170	90	30	50	30	200	90	90	20	4,620	1,150	1,180	1,930	920
NOV	180	110	20	50	20	440	120	270	50	3,880	1,110	890	2,290	950
DEC	230	100	40	90	50	500	130	110	260	4,050	1,180	900	1,880	1,030
1983														
JANp	150	70	30	50	50	290	140	30	120	3,250	1,000	660	1,590	940

Year and Month	COMMITMENTS TO BORROWERS: LAND AND CONSTRUCTION LOANS								NOTES PAYABLE			
	Issued During Month				End of Month Balances				End of Month Balances			
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Total	Comm. Paper	To Parent	To Others
1981												
APR	1,080	160	310	610	5,470	1,060	1,730	2,680	10,730	2,280	4,300	4,150
MAY	1,000	120	400	480	4,000	1,050	1,580	1,370	10,870	2,440	4,150	4,280
JUN	610	110	300	200	3,660	1,050	1,440	1,170	11,660	2,140	4,920	4,600
JUL	680	120	250	310	3,490	1,060	1,440	990	11,760	2,350	4,820	4,590
AUG	980	120	270	590	5,800	1,010	1,830	2,960	12,350	2,300	5,530	4,520
SEP	970	80	290	600	3,670	920	1,210	1,540	10,770	2,460	4,380	3,930
OCT	1,200	130	160	910	7,030	920	1,330	4,780	11,510	2,320	5,260	3,930
NOV	1,050	120	520	410	6,120	750	1,770	3,600	10,870	1,680	5,270	3,920
DEC	1,920	140	1,310	470	7,480	770	2,910	3,800	10,960	1,160	5,710	4,090
1982												
JAN	2,050	180	1,400	470	8,070	650	3,620	3,800	11,070	1,130	5,770	4,170
FEB	690	70	190	430	7,530	540	3,340	3,650	11,230	1,180	5,360	4,690
MAR	920	190	170	560	6,420	630	2,000	3,790	11,930	1,250	6,610	4,070
APR	2,730	110	1,090	1,530	7,820	560	2,330	4,930	12,610	1,000	5,540	6,070
MAY	1,280	140	670	470	8,150	660	3,230	4,260	11,570	1,130	5,070	5,370
JUN	950	130	300	520	7,660	590	2,250	4,820	13,810	1,230	5,680	6,900
JUL	950	70	330	550	8,900	580	2,250	6,070	11,350	1,820	5,000	4,530
AUG	760	110	350	300	4,420	690	1,570	2,160	12,900	1,630	5,110	6,160
SEP	670	100	430	140	6,180	980	2,730	2,470	12,250	1,950	5,760	4,540
OCT	1,860	110	1,600	150	5,540	480	2,340	2,720	20,460	1,380	7,370	11,710
NOV	720	160	320	230	5,370	590	2,170	2,610	14,650	1,640	6,010	7,000
DEC	950	180	360	410	5,680	880	1,940	2,860	16,630	2,540	7,490	6,600
1983												
JANp	910	160	550	200	5,100	970	1,500	2,630	21,570	5,300	7,910	8,360


REAL GROSS NATIONAL PRODUCT
PERCENT CHANGE (1)
15
10
5
0
-5
-10
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983
INFLATION
CPI - ALL URBAN
FINISHED GOODS
(1) PERCENT CHANGE
15
12
9
6
3
0
78 79 80 81 82 83
HOUSING STARTS
ONE UNIT
TOTAL
UNITS (000)
2.4
2.0
1.6
1.2
0.8
0.4
78 79 80 81 82 83
(1) ANNUAL RATE, SEASONALLY ADJUSTED

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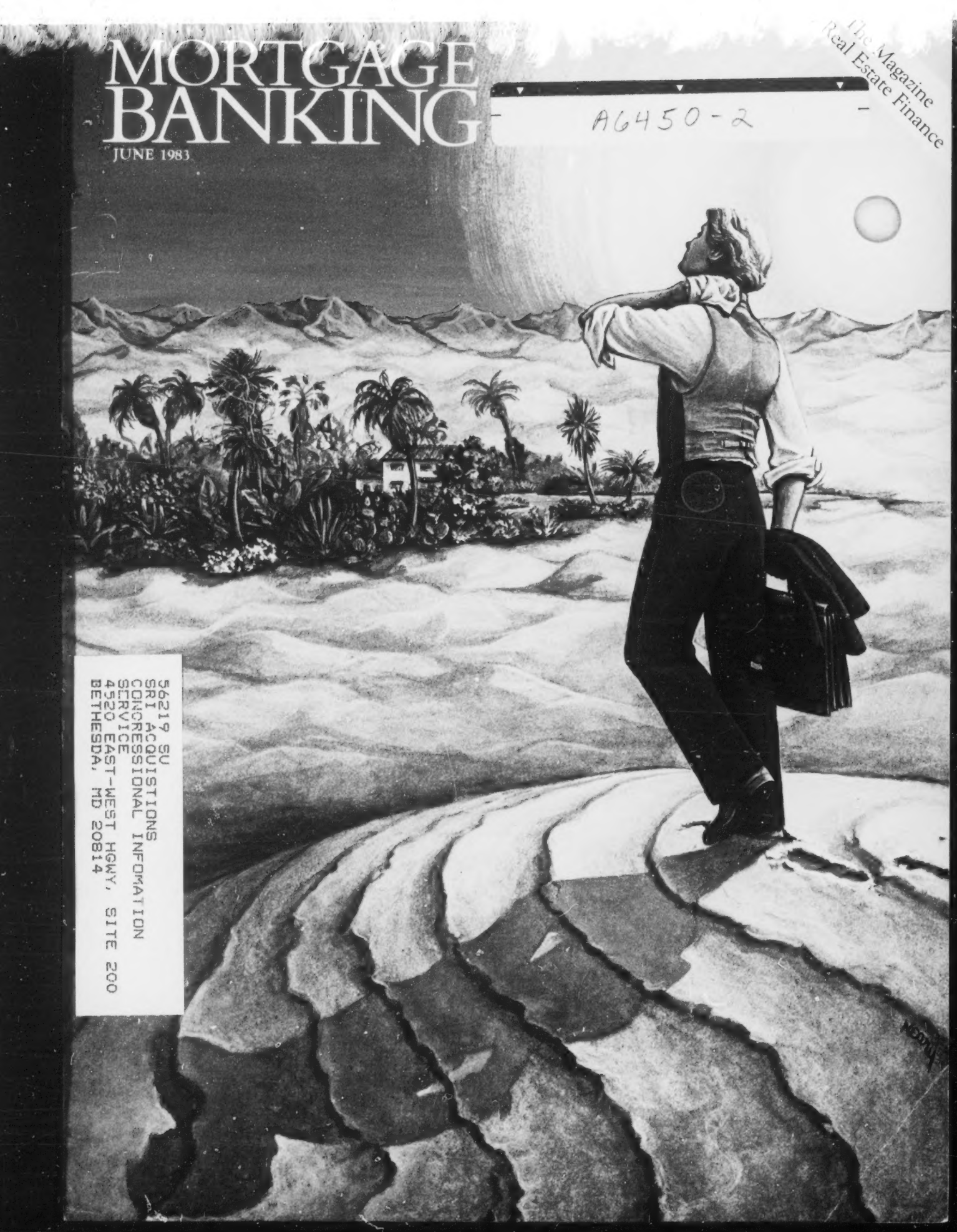

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Advertising, J. Michael McFall
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May 11, 1983

As we approach the mid-point of the first growth year for real estate finance in four years, it is instructive to review the current mortgage market cycle. This latest cycle has been similar to previous cycles in some ways, but it has differed in more fundamentally important ways. While it is clear that mortgage bankers have played their traditional countercyclical role over the past four years, significant changes have occured in mortgage banker market share, in the strategy of other major lenders, and in the relative importance of the secondary market.

The volume of financing in the real estate market last peaked in 1979, both for all lenders and for mortgage bankers. Total volume in 1979 for both the residential and income property sectors exceeded $257 billion. That year was also a year of new record high inflation and the adoption of a much more restrictive monetary policy by the Federal Reserve, which led to record high interest rates in 1980 through 1982. As a result the real estate markets suffered a severe and extended downturn that lowered total mortgage volume 42 percent by 1982, to a level of only $150 billion. In the largest single sector of the mortgage market, the residential sector, an even more severe downturn was recorded. One- to four-unit residential lending by all lenders plunged by 49 percent from 1979 to 1982, reaching a low of $95 billion last year.

The impact of this downturn on mortgage bankers was even more severe, and it was felt in a shorter period. Mortgage bankers' total origination volume also peaked in 1979 at just above $53 billion, but it plunged to a low 47 percent below the peak in 1981, one year ahead of the rest of the market. By 1981 mortgage bankers' total origination volume was near $28 billion. This 47 percent shrinkage of the market was shared equally by residential and income property mortgage bankers. In 1982, mortgage bankers' activity began to increase; most improvement was in the residential area and many commercial, retail, and apartment markets weakened dramatically. Total mortgage banker activity in 1982 was up by 7 percent, to $30 billion. The gain was lopsided, with a 16 percent increase in the residential area and a 43 percent drop in the income property areas, including apartments.

In terms of market share, mortgage bankers have traditionally gained during recessions. This result was primarily because FHA-insured and VA-guaranteed loans became relatively more attractive and because depository institutions were limited by the reduced availability of funds. This pattern has been changing, however, throughout the 1970s due to the growing importance of the secondary market through the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC). In 1979, mortgage bankers captured 21 percent of the mortgage loan origination market, and 24 percent of the one- to four-unit residential market. This success in the residential market represented a record high share for mortgage bankers. Since 1979, mortgage banker share of all originations has remained near 20 percent, but residential market share has increased dramatically, to almost 30 percent in 1982.

The reason for the strong showing of mortgage bankers since the late 1970s is a significantly increased market share in the conventional loan market. In 1970, mortgage bankers originated 2 percent of conventional residential mortgage loans. Their conventional loan market share reached 5 percent in 1975, 7 percent in 1980, and 16 percent in 1982. This success is due in large part to the conventional loan programs of FNMA and FHLMC.

In early 1983 these same trends continued. The just-released final data for January show that mortgage bankers captured 35 percent of the residential loan market, edging out the savings and loan associations by one percentage point. Although the recently revived deposit flows of the depository institutions will soon permit them to regain some of their traditional market share, mortgage bankers are likely to remain a much more dominant force in the market than they were in the past.

One of the most significant changes in the mortgage market since 1970 has been the increasing role of whole loan and pooled loan sales in raising funds for mortgage lending. Loan sales as a percentage of originations stood at 38 percent in 1975, and they increased to 55 percent in 1981. For 1982, loan sales actually exceeded originations by $5 billion, as older loans as well as new loans were cycled through the secondary market. When FNMA and FHLMC swaps of old loans are excluded, the 1982 ratio of sales to originations still reached 80 percent. This dramatic increase in the importance of the secondary market is due not only to the innovative activity of mortgage bankers, but also to the adoption of mortgage banking methods by thrifts, banks and other financial organizations.

For the remainder of 1983, interest rates should continue to drift downward and real estate sales and financing should continue to gain strength. Almost all of the upturn will be in the residential and associated small scale retail sectors of the market this year, although 1984 should bring delayed expansion in selected markets for office buildings, warehouse and other commercial projects. For 1983, residential mortgage originations could reach $140 billion, of which mortgage bankers could capture $40 to $45 billion.

Dr. Warren Matthews
Senior Economist

MORTGAGE MARKET TRENDS—JUNE 1983

RESIDENTIAL STRUCTURES, BY UNIT TYPE

(Units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES: Actual: Total	1-4 Units	5+ Units	PERMITS 16,000 ISSUING PLACES: Seasonally Adjusted Annual Rate: Total	1-4 Units	5+ Units	HOUSING STARTS: Actual: Total	1-4 Units	5+ Units	HOUSING STARTS: Seasonally Adjusted Annual Rate: Total	1-4 Units	5+ Units
1981												
DEC	57	35	22	789	544	245	60	40	21	899	635	264
1982												
JAN	47	29	19	832	528	304	48	34	14	827	655	222
FEB	50	32	18	795	509	286	51	37	14	911	644	267
MAR	79	51	28	851	541	310	79	59	20	920	675	245
APR	82	53	29	879	526	353	85	62	23	911	648	263
MAY	81	53	28	944	590	354	99	67	32	1,028	707	321
JUN	89	59	30	929	607	322	91	71	20	910	703	207
JUL	91	53	37	1,062	585	477	107	70	37	1,185	721	464
AUG	80	54	26	888	580	308	91	70	26	1,046	738	308
SEP	100	61	39	1,003	657	346	105	71	34	1,134	773	361
OCT	100	63	37	1,172	737	435	111	73	38	1,142	782	360
NOV	100	64	36	1,284	843	441	109	73	36	1,361	947	414
DEC	76	50	26	1,168	810	358	83	57	26	1,280	921	359
1983												
JAN	85	56	29	1,571	1,104	467	92	64	29	1,707	1,239	468
FEB	93	56	36	1,493	946	547	96	66	30	1,775	1,204	571
MAR	133p	89p	44p	1,434p	961p	473p	134p	95p	39p	1,611p	1,112p	499p
3 months												
1983	311	201	109				322	225	98			
1982	177	113	65				179	129	50			
1981	243	165	78				261	192	72			
1980	233	162	71				238	170	68			

VALUE OF NEW CONSTRUCTION PUT IN PLACE

(Dollars in millions)

Year and Month	Seasonally Adjusted Annual Rate: Total	1 Unit	2+ Units	Nonres.
1981				
DEC	113,827	34,288	16,863	62,676
1982				
JAN	115,136	35,446	15,821	63,869
FEB	115,975	34,557	15,800	65,618
MAR	117,171	34,725	17,563	64,883
APR	113,782	34,368	15,198	64,216
MAY	115,344	34,388	16,593	64,363
JUN	116,809	34,698	15,060	67,051
JUL	115,489	35,269	16,174	64,046
AUG	115,354	35,198	16,875	63,281
SEP	118,346	35,423	17,560	65,363
OCT	117,877	35,890	16,460	65,527
NOV	119,436	37,697	17,032	64,707
DEC	121,499	40,477	16,773	64,249
1983				
JAN	132,394	47,891	17,978	66,525
FEB	134,005	51,095	19,278	63,632
MAR	140,016p	59,283p	18,649p	62,084p

HOUSE SALES

(Units in thousands)

Year and Month	EXISTING HOUSES[1]: Sold	NEW HOUSES: Sold	Available For Sale	Months Supply at Current Rate
1981				
DEC	140	29	272	9.4
1982				
JAN	116	27	273	8.5
FEB	134	28	267	9.0
MAR	181	35	265	8.6
APR	174	33	263	9.3
MAY	169	37	259	8.2
JUN	192	34	253	8.3
JUL	185	31	251	8.5
AUG	186	34	247	7.5
SEP	168	40	248	6.9
OCT	173	41	245	6.1
NOV	167	39	250	5.5
DEC	148	33	255	5.8
1983				
JAN	155	43	256	5.3
FEB	163	46	255	5.5
MAR	237p	55p	260p	5.5p
3 months				
1983	555	144		
1982	421	86		
1981	564	124		
1980	672	130		

RESIDENTIAL STRUCTURES, BY REGION

(units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES: Actual: North East	North Central	South	West	Seasonally Adjusted Annual Rate: North East	North Central	South	West	STARTS: Actual: North East	North Central	South	West	Seasonally Adjusted Annual Rate: North East	North Central	South	West
1981																
DEC	7	6	32	12	90	100	431	168	8	7	33	13	112	125	483	179
1982																
JAN	3	2	32	10	65	76	512	179	3	3	32	10	78	123	512	164
FEB	4	3	33	11	86	76	473	160	3	2	36	10	122	84	555	150
MAR	8	8	47	16	88	87	490	186	7	7	49	16	112	100	521	187
APR	9	10	46	17	97	105	506	171	9	14	47	15	104	157	484	166
MAY	10	13	41	17	110	145	488	201	12	16	54	18	117	144	578	189
JUN	10	12	46	20	105	118	499	207	10	18	44	19	98	157	462	193
JUL	9	12	45	24	101	140	555	266	11	15	62	18	104	159	725	197
AUG	13	10	42	17	113	106	485	184	12	16	49	16	119	164	567	196
SEP	12	15	51	21	114	131	530	228	16	15	54	20	138	141	629	226
OCT	13	14	51	22	135	139	635	263	10	20	58	23	108	156	628	250
NOV	14	13	56	17	127	131	649	285	14	15	63	17	160	183	773	245
DEC	8	7	41	21	112	148	738	307	8	7	47	21	122	155	714	289
1983																
JAN	6	6	52	21	155	190	786	347	5	6	63	18	164	231	992	307
FEB	8	6	57	22	188	165	805	335	8	7	58	23	275	250	902	348
MAR	11p	14p	82p	26p	127p	157p	855p	295p	13p	14p	81p	26p	213p	207p	873p	318p
3 months																
1983	25	26	191	67					26	27	212	67				
1982	14	13	112	38					13	12	119	35				
1981	19	25	133	61					16	29	138	58				
1980	20	26	118	69					16	26	132	66				

CONSTRUCTION STATUS

(units in thousands)

Year and Month	UNDER CONSTRUCTION: Total	1-4 Units	5+ Units	COMPLETIONS: Total	1-4 Units	5+ Units
1981						
DEC	682	427	255	105	75	30
1982						
JAN	657	413	244	72	48	24
FEB	644	407	237	63	41	22
MAR	646	412	234	73	50	23
APR	653	419	234	75	53	22
MAY	666	425	241	86	61	25
JUN	671	438	232	85	76	28
JUL	690	442	248	85	64	21
AUG	690	442	248	91	66	25
SEP	713	450	263	84	63	21
OCT	717	448	269	102	71	30
NOV	732	453	279	94	68	26
DEC	718	439	279	96	68	28
1983						
JAN	728	442	286	81	60	21
FEB	747	456	291	78	53	25
MAR	795p	487p	308p	87p	64p	23p
3 months						
1983				246	177	69
1982				207	138	69
1981				287	215	72
1980				381	273	108

INTEREST RATES AND YIELDS

Year and Month	1-4 UNIT MORTGAGES: FHA Opinion Survey: FHA New	Conventional: New	Conventional: Existing	FHLBB Survey: Conventional: New	Conventional: Existing	APARTMENTS[2]	CONSTRUCTION LOANS[3] ALL TYPES	FNMA: Mandatory Delivery Yields: ARM (Plan 6)	FNMA: Mandatory Delivery Yields: Conv	GNMA Current Securities Yield	SELECTED SECURITIES[4]: Aaa Utility New Issue	U.S. Gov't.: 10-yr	U.S. Gov't.: 26-wk	Prime Commercial Paper 90-119 Days	SPREADS (Basis Points): FHA New Minus Aaa Utility	GNMA minus 10-yr Gov't.
1981																
DEC	16.43	17.00	17.00	15.89	16.02	17.38				15.38	15.20	13.72	11.471	12.12	123	166
1982																
JAN	17.38	17.30	17.30	15.25	15.92	18.13			17.500	16.22	15.68	14.59	12.930	13.09	170	163
FEB	17.10	17.20	17.20	15.12	15.73	17.38	17.86		17.375	16.24	15.93	14.43	13.709	14.53	117	181
MAR	16.41	16.80	16.85	15.67	15.95	16.88			16.750	15.83	15.26	13.86	12.621	13.80	115	197
APR	16.31	16.65	16.75	15.84	16.00	16.88			16.125	15.56	15.83	13.87	12.861	14.06	48	169
MAY	16.19	16.50	16.55	15.89	16.11	16.88	17.80		16.000	15.26	15.22	13.62	12.220	13.42	97	164
JUN	16.73	16.75	16.80	15.40	15.56	17.62			16.375	15.89	15.92	14.30	12.310	13.96	81	159
JUL	16.29	16.50	16.55	15.70	15.52	17.13			16.125	15.54	15.61	13.95	12.236	12.94	68	159
AUG	14.61	15.40	15.45	15.71	15.63	15.62	17.19		15.500	14.31	13.95	13.06	10.105	10.15	66	125
SEP	14.03	15.05	15.05	14.99	15.30	15.37			14.750	13.51	13.50	12.34	9.539	10.36	53	117
OCT	12.99	13.95	13.95	14.41	14.95	14.13		13.097	14.000	12.86	12.20	10.91	8.299	9.20	79	195
NOV	12.82	13.80	13.80	13.81	14.29	13.88	15.14	12.605	13.375	11.85	11.76	10.55	8.319	8.69	106	130
DEC	12.80	13.62	13.64	13.70	13.95	13.37		12.346	13.000	12.00	11.84	10.54	8.225	8.51	96	146
1983																
JAN	12.87	13.44	13.45	13.49	13.54	13.88		12.097	13.000	11.89	12.05	10.46	7.898	8.17	82	143
FEB	12.65	13.18	13.19	13.16	13.40	13.75		12.376	12.875	12.20	12.08	10.72	8.233	8.34	110	148
MAR	12.68	13.17	12.85	13.51	13.04	13.50		11.916	12.920	11.82	11.70	10.51	8.325	8.52	98	131

LONG-TERM MORTGAGE LOANS CLOSED

(Dollars in Millions)

Year and Month	BY TYPE OF INSTITUTION					BY TYPE OF UNIT AND INSTITUTION														
						1-4 Units					5+ Units					Nonresidential				
	Total	Mtg. Bankers	S&Ls	Banks	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[1]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[1]	Life Cos.
1981																				
OCT	10,032	2,110	3,206	3,634	1,082	6,579	1,550	2,818	2,181	30	584	270	143	152	19	2,889	420	245	1,301	1,033
NOV	8,227	1,890	2,809	2,778	750	5,593	1,520	2,421	1,620	32	342	40	159	126	17	2,292	330	229	1,032	701
DEC	9,778	2,290	3,302	3,119	1,062	6,261	1,660	2,669	1,887	45	555	170	184	174	27	2,777	280	449	1,058	990
1982																				
JAN	7,691	2,030	2,410	2,471	780	4,991	1,560	1,975	1,440	16	452	90	168	168	26	2,388	520	267	863	738
FEB	8,302	2,140	2,600	2,966	596	5,519	1,760	2,097	1,620	42	598	120	246	178	54	2,215	290	257	1,168	500
MAR	10,600	3,180	3,160	3,465	795	6,957	2,420	2,626	1,872	39	477	90	207	129	51	3,096	600	327	1,464	705
APR	9,755	2,900	3,100	3,071	684	6,721	2,420	2,582	1,674	45	469	50	177	172	70	2,535	400	341	1,225	569
MAY	9,689	3,050	3,193	2,899	517	6,626	2,450	2,541	1,597	38	479	190	163	111	15	2,614	470	489	1,191	464
JUN	11,792	3,440	4,041	3,826	485	8,153	2,850	3,288	1,995	50	687	180	271	223	13	2,932	390	512	1,608	422
JUL	10,874	2,940	3,427	3,661	846	7,361	2,330	2,922	2,049	60	501	70	206	177	48	2,862	390	299	1,435	738
AUG	10,108	2,710	3,601	3,251	546	7,412	2,500	2,904	1,958	45	543	40	280	210	13	2,423	440	412	1,083	488
SEP	10,507	2,620	3,858	3,855	474	7,911	2,460	3,130	2,276	45	563	20	295	226	22	2,393	200	433	1,353	407
OCT	10,954	3,080	3,529	3,764	581	7,637	2,480	2,817	2,296	44	781	340	216	210	15	2,646	370	496	1,258	522
NOV	13,450	4,460	4,026	4,458	506	10,067	3,930	3,148	2,935	54	702	220	337	107	38	2,751	380	541	1,416	414
DEC	19,578	5,850	6,443	5,724	1,561	13,941	5,390	4,778	3,705	68	1,025	50	605	297	73	4,482	280	1,060	1,722	1,420
1983																				
JAN	16,530	6,400	4,755	4,595	780	12,137	5,840	3,621	2,628	48	1,066	250	529	246	41	3,426	410	605	1,721	691
FEB	18,336	7,180	5,090	5,197	869	14,030	7,000	3,946	3,041	43	1,568	700	383	407	78	3,758	500	761	1,749	748

LONG-TERM COMMITMENT ACTIVITY

(Dollars in Millions)

Year and Month	OUTSTANDING					ISSUED DURING MONTH				
	Total	Mtg. Bankers	S&Ls	Banks[1]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[1]	Life Cos.
1981										
SEP	48,166	6,540	18,654	9,515	13,457	7,949	1,820	2,751	2,521	857
OCT	44,888	6,310	17,897	8,045	12,636	6,641	2,340	2,716	1,233	352
NOV	42,713	4,750	17,416	8,319	12,228	5,958	1,920	2,507	1,167	364
DEC	44,917	7,440	16,887	9,130	11,460	7,183	3,150	2,823	940	300
1982										
JAN	44,598	8,070	16,693	9,025	10,550	7,237	2,940	2,261	1,743	293
FEB	43,552	7,740	16,529	8,794	10,489	7,480	3,080	2,844	1,131	425
MAR	46,125	8,910	16,664	9,630	10,921	10,005	4,130	3,317	1,564	964
APR	48,376	9,090	17,186	11,381	10,719	10,329	4,650	3,390	1,579	710
MAY	49,695	9,390	17,362	12,345	10,598	9,690	4,180	3,350	1,627	533
JUN	49,270	9,240	17,327	12,543	10,160	8,765	3,220	3,597	1,648	300
JUL	49,726	9,610	16,951	13,436	9,729	9,171	3,410	3,537	1,679	545
AUG	50,855	10,410	17,748	13,192	9,505	9,646	3,750	3,847	1,615	434
SEP	51,994	11,350	18,241	13,108	9,295	11,139	5,290	3,888	1,466	495
OCT	54,730	13,610	19,328	12,512	9,280	13,394	7,040	4,024	1,620	710
NOV	60,452	16,540	20,785	13,457	9,670	16,226	8,060	5,017	1,819	1,330
DEC	65,375	19,940	21,548	14,267	9,620	17,913	7,780	6,082	1,991	1,804
1983										
JAN	66,607	20,160	22,945	13,802	9,700	15,343	6,660	5,555	1,928	1,200
FEB	71,481	21,240	25,677	14,847	9,717	17,037	6,620	7,271	2,076	1,070

MORTGAGE INSURANCE

(Units in thousands, dollars in millions)

Year and Month	APPLICATIONS RECEIVED UNITS			INSURED							
	FHA/VA			Total		FHA (203)		VA		Private	
	Total	VA	Private	Units	Amt.	Units	Amt.	Units	Amt.	Units	Amt.
1981											
SEP	62	30	32	55	2,876	15	620	11	660	29	1,596
OCT	51	24	27	43	2,310	8	341	9	485	26	1,484
NOV	47	24	23	41	2,119	10	389	8	464	23	1,266
DEC	62	38	24	38	1,957	8	311	6	357	24	1,289
1982											
JAN	48	31	17	31	1,726	7	270	6	327	18	1,129
FEB	54	32	22	32	1,785	8	356	7	393	17	1,036
MAR	69	37	32	39	2,193	9	373	7	421	23	1,399
APR	63	34	29	35	1,976	8	322	6	374	21	1,280
MAY	67	31	36	43	2,222	8	335	6	328	29	1,559
JUN	83	40	43	50	2,743	9	408	8	443	33	1,892
JUL	84	38	46	52	2,682	9	375	9	482	34	1,830
AUG	82	36	46	54	2,997	8	352	10	573	36	2,072
SEP	91	47	44	60	3,248	11	462	13	743	36	2,043
OCT	103	59	44	52	2,826	10	425	6	385	36	2,016
NOV	104	60	44	53	2,920	11	498	8	455	34	1,967
DEC	175	125	50	63	3,471	16	703	9	564	38	2,204
1983											
JAN	137	98	39	54	3,201	14	637	10	630	30	1,934
FEB	138	96	42	62	3,607	17	795	15	961	30	1,851

SECONDARY MARKET ACTIVITY

(Dollars in Millions)

Year and Month	FNMA				FHLMC				GNMA	
	Portfolio		Mortgage Backed Securities		P.C.s Issued	Comm.	Purc.	Sold	Pass-Through Securities	
	Comm.	Purc.	Comm.	Issued					Applications	Issued
1981										
JUL	1,662	626			238	865	242	238	2,050	1,589
AUG	1,394	944			44	308	101	44	2,339	959
SEP	811	1,125			249	365	393	249	8,106	1,184
OCT	533	1,000			245	1,834	290	244	571	739
NOV	560	594			598	2,011	416	598	1,298	795
DEC	1,272	655			1,156	203	1,140	1,156	1,729	1,304
1982										
JAN	813	430	112	322	1,628	3,250	1,629	1,628	1,543	902
FEB	1,204	519	2,287	682	1,115	565	1,228	1,115	1,789	960
MAR	1,880	604	224	1,071	1,564	2,523	1,481	1,564	2,223	1,335
APR	2,482	755	428	662	2,176	2,824	2,144	2,176	1,219	835
MAY	1,550	1,006	467	802	1,194	2,692	1,214	1,194	1,812	1,194
JUN	1,582	1,223	2,696	337	1,564	3,166	1,581	1,564	2,800	1,530
JUL	2,016	1,354	670	1,858	2,205	2,181	2,236	2,205	2,116	1,011
AUG	1,820	1,931	1,694	789	2,618	2,768	2,529	2,618	2,850	1,383
SEP	1,482	1,670	1,503	1,008	1,924	2,892	1,798	1,924	16,429	1,521
OCT	1,426	1,449	1,741	2,167	2,220	2,506	2,000	2,200	1,297	1,441
NOV	2,795	1,681	2,281	1,838	2,177	1,714	1,917	2,177	1,692	1,564
DEC	3,055	2,495	1,415	2,436	3,804	1,068	3,916	3,804	3,093	2,330
1983										
JAN	2,006	2,045	1,409	1,082	2,364	2,059	1,479	1,641	4,593	2,657
FEB	784	1,594	1,496	1,213	847	868	1,658	1,756	4,316	3,573

MORTGAGE BANKERS CONSTRUCTION AND LAND LOAN ACTIVITY

(Dollars in Millions)

Year and Month	DISBURSEMENTS DURING MONTH					OUTSTANDING COMMITMENTS TO BORROWERS			
	Construction				Land Loans				
	Total	1-4 Units	5+ Units	Non-res.		Total	1-4 Units	5+ Units	Non-res.
JUL	220	100	40	80	80	3,490	1,060	1,440	990
AUG	170	70	40	60	100	5,800	1,010	1,830	2,960
SEP	180	80	40	60	50	3,670	920	1,210	1,540
OCT	280	70	40	170	40	7,030	920	1,330	4,780
NOV	190	70	40	80	40	9,120	750	1,770	3,600
DEC	180	70	40	70	70	7,480	770	2,910	3,800
JAN	130	30	30	70	30	8,070	650	3,630	3,800
FEB	170	50	40	80	60	7,530	540	3,340	3,650
MAR	130	70	10	50	40	6,420	630	2,000	3,790
APR	360	70	80	210	60	7,820	560	2,330	4,930
MAY	130	50	30	50	40	8,150	660	3,130	4,620
JUN	180	60	40	80	70	7,660	590	2,250	4,820
JUL	160	50	30	80	40	8,900	580	2,250	6,070
AUG	150	60	20	70	50	4,420	690	1,570	2,160
SEP	170	70	30	70	30	6,180	980	2,730	2,470
OCT	170	90	30	50	30	5,540	480	2,340	2,720
NOV	180	110	20	50	20	5,370	590	2,170	2,610
DEC	230	100	40	90	50	5,680	880	1,940	2,860
JAN	150	80	30	40	60	7,160	800	3,720	2,640
FEB	320	150	60	120	50	7,370	520	2,810	4,040

n.a.–Not available; p–Preliminary

[1] From the National Association of Realtors' "Existing Home Sales" series.

[2] Reflects cumulative total through the latest month for each column.

[3] Secondary market gross yields.

[4] Federal Home Loan Mortgage Corp. Existing construction only.

[5] Federal Reserve's weighted average interest rate for Commercial Banks.

[6] Weighted average gross yields for accepted bids.

[7] Survey of three New York security dealers. Securities for immediate delivery.

[8] Mutual Savings Banks and Commercial Banks.

Sources: American Council of Life Insurance, Board of Governors of the Federal Reserve System, Bureau of the Census, Citicorp Real Estate Inc., Department of Housing and Urban Development, Federal Home Loan Bank Board, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Mortgage Bankers Association of America, National Association of Mutual Savings Banks, National Association of Realtors, Veterans Administration.

MORTGAGE BANKING ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED[1]

Year and Month	SEASONALLY ADJUSTED				NOT SEASONALLY ADJUSTED							
						1-4 Units				5+ Units		
	Total[2]	1-4 Units	5+ Units	Non-Res.	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-[3] Res.
1981													
MAY	3,650	2,730	270	710	3,340	2,[illegible]	400	630	930	160	140	20	720
JUN	3,310	2,680	50	610	3,270	2,[illegible]	390	630	1,330	50	30	20	410
JUL	3,130	2,430	110	490	3,290	2,690	760	600	1,330	120	110	10	490
AUG	2,900	2,360	340	450	3,360	2,700	790	630	1,280	330	20	310	330
SEP	2,250	1,900	30	380	2,610	2,180	580	400	1,230	50	40	10	380
OCT	2,110	1,550	270	420	2,440	1,870	480	350	1,040	170	0	170	400
NOV	1,890	1,520	40	330	1,820	1,430	400	290	740	40	10	30	350
DEC	2,290	1,660	170	280	2,580	1,890	680	390	810	190	0	190	540
1982													
JAN	2,030	1,560	90	520	1,830	1,390	410	340	640	100	60	40	340
FEB	2,140	1,760	120	290	1,820	1,380	470	280	630	120	90	30	320
MAR	3,180	2,420	90	600	2,790	2,110	600	340	1,170	80	60	20	600
APR	2,900	2,420	50	400	2,570	2,100	570	350	1,180	50	30	20	420
MAY	3,080	2,450	190	470	2,740	2,240	670	410	1,160	110	70	40	390
JUN	3,440	2,850	180	390	3,420	2,920	850	550	1,520	180	170	10	320
JUI	2,940	2,330	70	390	3,020	2,630	780	510	1,340	70	70	0	320
AUG	2,710	2,500	40	440	3,250	2,860	920	580	1,360	40	20	20	350
SEP	2,620	2,460	20	200	3,050	2,820	890	680	1,250	30	20	10	200
OCT	3,080	2,480	340	370	3,560	3,000	1,060	740	1,200	210	120	90	350
NOV	4,460	3,930	220	380	4,290	3,670	1,540	950	1,180	220	200	20	400
DEC	5,850	5,390	50	280	6,470	5,860	2,210	1,540	2,110	60	0	60	540
1983													
JAN	6,400	5,840	250	410	5,760	5,210	2,450	1,450	1,310	280	40	240	270
FEBp	7,180	7,000	70	500	6,120	5,500	2,360	1,460	1,680	70	0	70	550

COMMITMENT ACTIVITY: LONG-TERM MORTGAGE LOANS

Year and Month	COMMITMENTS DURING MONTH								OUTSTANDING COMMITMENTS END OF MONTH					
	To Borrowers				From Investors				To Borrowers			From Investors		
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1981														
MAY	3,150	2,710	110	330	6,970	4,690	210	2,070	7,420	490	690	6,830	960	1,390
JUN	3,190	2,600	60	530	3,550	2,550	160	840	7,080	460	700	7,000	940	1,380
JUL	2,990	2,630	40	320	4,590	3,730	50	810	7,170	570	640	7,180	980	1,220
AUG	3,510	2,680	10	820	2,880	2,050	30	800	7,270	610	780	7,110	1,130	1,430
SEP	1,820	1,610	90	120	2,330	1,530	120	680	5,260	470	810	5,690	870	1,520
OCT	2,340	1,770	170	400	2,560	1,850	200	510	5,190	280	840	5,280	510	1,130
NOV	1,920	1,320	180	420	4,250	1,490	190	2,570	3,720	390	640	4,170	610	1,150
DEC	3,150	2,370	170	610	2,470	2,020	160	290	5,890	950	600	4,780	1,240	710
1982														
JAN	2,940	2,290	240	410	3,290	2,430	140	720	6,370	1,000	690	5,380	1,260	880
FEB	3,080	2,210	90	780	3,620	2,470	60	1,090	6,220	810	710	4,550	1,130	930
MAR	4,130	3,010	120	1,000	2,850	2,560	140	150	7,730	480	700	5,610	710	930
APR	4,650	2,250	350	2,050	5,760	3,090	390	2,280	7,350	550	1,190	6,520	650	1,170
MAY	4,180	2,560	340	1,280	4,270	2,630	380	1,260	7,970	640	780	6,730	1,180	890
JUN	3,220	2,640	180	400	3,450	2,670	120	660	7,930	550	760	7,240	880	900
JUL	3,410	2,550	80	780	4,890	3,700	120	1,070	7,950	590	1,070	7,830	840	1,240
AUG	3,750	3,140	240	370	4,800	4,260	180	360	9,010	740	660	7,800	990	720
SEP	5,290	4,900	90	300	6,050	5,380	140	530	9,920	940	490	9,830	1,400	670
OCT	7,040	6,240	170	630	3,740	3,120	190	430	13,030	130	450	9,590	620	590
NOV	8,060	6,270	370	1,420	6,910	4,830	640	1,440	15,380	600	560	12,360	1,140	750
DEC	7,780	6,590	120	1070	6,870	5,260	120	1,490	18,890	680	670	11,880	940	810
1983														
JAN	6,690	5,680	120	860	7,640	6,310	110	1,220	18,910	520	730	13,260	1,060	910
FEBp	6,620	6,020	510	390	8,760	6,880	490	1,390	20,330	120	790	11,660	770	1000

Notes: All dollar amounts are in millions.

[1]Total is seasonally adjusted separately from components. Total, therefore, may not equal sum of parts.

[2]Series labeled non-residential are also inclusive of farm data.

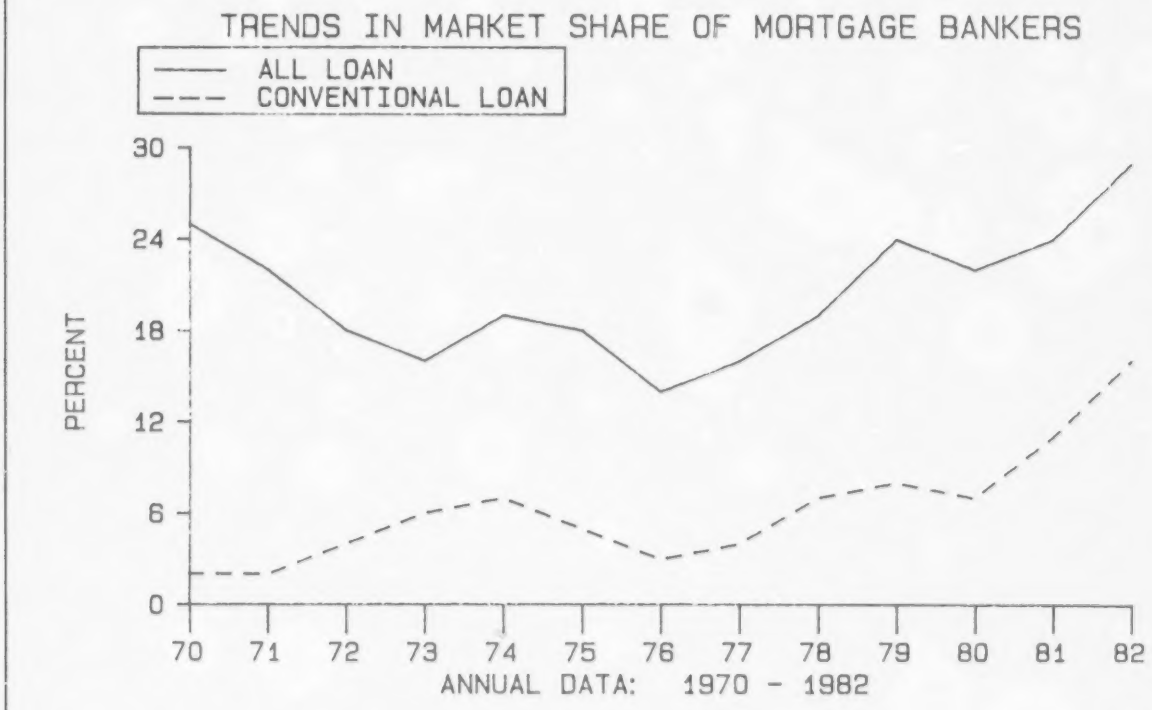
[3]Percent coverage equals outstanding commitments received from investors divided by the sum of outstanding end of month inventory and outstanding commitments issued to borrowers, all multiplied by 100.

Year and Month	OUTSTANDING END OF MONTH INVENTORY									COVERAGE*			SERVICING VOLUME		
		1-4 Units				5+ Units									
	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1981															
MAY	4,280	3,020	820	650	1,550	560	40	520	700	65	91	100	208,100	19,870	38,990
JUN	4,300	3,090	850	620	1,620	520	50	470	690	69	96	99	214,430	20,220	39,000
JUL	4,140	2,860	760	570	1,530	620	50	570	660	72	82	92	219,360	21,300	42,510
AUG	4,180	2,910	770	550	1,590	560	10	550	710	70	97	96	216,870	24,020	41,880
SEP	3,990	2,660	640	470	1,550	460	40	420	870	72	94	90	195,370	19,140	39,590
OCT	4,330	2,640	580	400	1,660	570	60	510	1,120	67	60	58	214,730	20,730	46,680
NOV	3,580	2,220	480	340	1,400	570	60	510	790	70	64	80	188,070	19,880	37,990
DEC	4,330	2,280	470	320	1,490	1,230	160	1,070	820	59	57	50	212,560	22,750	39,210
1982															
JAN	4,510	2,340	490	340	1,510	1,240	170	1,070	930	62	56	54	222,860	23,790	44,400
FEB	4,100	2,140	440	320	1,380	1,120	200	920	840	54	59	60	223,400	22,860	44,140
MAR	4,160	2,470	520	320	1,630	710	100	610	980	55	60	55	235,950	26,690	43,830
APR	4,670	2,380	510	350	1,520	910	110	800	1,380	67	45	46	233,690	24,910	46,580
MAY	4,560	2,470	530	370	1,570	1,210	110	1,100	880	64	64	54	239,060	26,040	45,020
JUN	3,360	2,400	630	410	1,360	530	130	400	430	70	81	76	244,630	25,090	44,340
JUL	5,150	2,690	640	490	1,560	1,220	140	1,080	1,240	74	46	54	235,360	22,700	43,030
AUG	5,000	2,910	710	430	1,750	1,240	140	1,100	850	65	50	48	258,320	25,020	44,360
SEP	6,140	3,000	740	490	1,770	2,380	140	2,240	760	76	42	50	258,260	25,560	44,620
OCT	6,160	3,170	750	640	1,780	2,020	140	1,880	970	59	29	42	269,470	26,150	46,350
NOV	6,650	3,620	1,000	740	1,880	2,120	290	1,830	910	65	42	51	280,360	26,490	47,050
DEC	6,320	4,400	1,370	960	2,070	1,130	160	970	790	52	52	55	292,440	26,300	49,670
1983															
JAN	8,260	4,830	1,680	1,150	2,000	2,590	330	2,260	840	56	34	58	298,680	30,890	47,110
FEBp	9,000	5,180	1,680	1,150	2,350	2,570	330	2,240	1,250	46	29	49	303,990	37,250	50,210

CONSTRUCTION AND LAND LOAN ACTIVITY

Year and Month	DISBURSEMENTS DURING MONTH					CONSTRUCTION LOANS CLOSED				END OF MONTH INVENTORY				
	Total	1-4 Units	5+ Units	Non-Res.	Land Loans	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Land Loans
1981														
MAY	160	80	30	50	30	470	120	260	90	2,910	1,060	740	1,110	840
JUN	140	60	30	50	90	620	150	300	170	2,660	970	730	960	820
JUL	220	100	40	80	80	420	130	140	150	3,370	1,190	920	1,260	880
AUG	170	70	40	60	100	350	110	80	160	4,010	1,190	980	1,840	2,040
SEP	180	80	40	60	50	420	100	170	150	3,250	1,130	910	1,210	810
OCT	280	70	40	170	40	820	310	150	360	4,020	1,150	980	1,890	900
NOV	190	70	40	80	40	380	110	30	220	3,960	1,000	1,030	1,930	870
DEC	180	70	40	70	70	980	590	130	270	4,240	1,020	1,120	2,100	900
1982														
JAN	130	30	30	70	30	520	50	160	310	3,400	810	800	1,790	910
FEB	170	50	40	80	60	380	70	70	240	3,550	830	890	1,830	950
MAR	130	70	10	50	40	530	100	70	360	3,250	800	800	1,650	910
APR	360	70	80	210	60	550	90	180	280	3,810	820	960	2,030	1,010
MAY	130	50	30	50	40	690	80	200	410	3,740	780	960	2,000	970
JUN	180	60	40	80	70	810	80	380	350	4,290	840	1,090	2,360	1,020
JUL	160	50	30	80	40	510	60	320	130	4,210	840	960	2,410	970
AUG	150	60	20	70	50	620	100	250	270	3,480	900	920	1,660	1,000
SEP	170	70	30	70	30	370	90	160	120	3,560	960	950	1,930	1,000
OCT	170	90	30	50	30	200	90	90	20	4,620	1,150	1,180	2,290	920
NOV	180	110	20	50	20	440	120	270	50	3,880	1,110	890	1,880	950
DEC	230	100	40	90	50	500	130	110	260	4,050	1,180	900	1,970	1,030
1983														
JAN	150	80	30	40	60	300	140	30	130	3,510	990	830	1,690	920
FEBp	320	150	60	120	50	250	110	60	80	6,720	1,860	1,380	3,480	1,020

Year and Month	COMMITMENTS TO BORROWERS: LAND AND CONSTRUCTION LOANS								NOTES PAYABLE			
	Issued During Month				End of Month Balances				End of Month Balances			
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Total	Comm. Paper	To Parent	To Others
1981												
MAY	1,000	120	400	480	4,000	1,050	1,580	1,370	10,870	2,440	4,150	4,280
JUN	610	110	300	200	3,660	1,050	1,440	1,170	11,660	2,140	4,920	4,600
JUL	680	120	250	310	3,490	1,060	1,440	990	11,760	2,350	4,820	4,590
AUG	980	120	270	590	5,800	1,010	1,830	2,960	12,350	2,300	5,530	4,520
SEP	970	80	290	600	3,670	920	1,210	1,540	10,770	2,460	4,380	3,930
OCT	1,200	130	160	910	7,030	920	1,330	4,780	11,510	2,320	5,260	3,930
NOV	1,050	120	520	410	6,120	750	1,770	3,600	10,870	1,680	5,270	3,920
DEC	1,920	140	1,310	470	7,480	770	2,910	3,800	10,960	1,160	5,710	4,090
1982												
JAN	2,050	180	1,400	470	8,070	650	3,620	3,800	11,070	1,130	5,770	4,170
FEB	690	70	190	430	7,530	340	3,340	3,650	11,230	1,180	5,360	4,690
MAR	920	190	170	560	6,420	630	2,000	3,790	11,930	1,250	6,610	4,070
APR	2,730	110	1,090	1,530	7,820	560	2,330	4,930	12,610	1,000	5,540	6,070
MAY	1,280	140	670	470	8,150	660	3,230	4,260	11,570	1,130	5,070	5,370
JUN	950	130	300	520	7,660	590	2,250	4,820	13,810	1,230	5,680	6,900
JUL	950	70	350	550	8,900	580	2,250	6,070	11,350	1,820	5,000	4,530
AUG	760	110	350	300	4,420	690	1,570	2,160	12,900	1,630	5,110	6,160
SEP	670	100	430	140	6,180	980	2,730	2,470	12,250	1,950	5,760	4,540
OCT	1,860	110	1,600	150	5,540	480	2,340	2,720	20,460	1,380	7,370	11,710
NOV	720	160	320	230	5,370	590	2,170	2,610	14,650	1,640	6,010	7,000
DEC	950	180	360	410	5,680	880	1,940	2,860	16,630	2,540	7,490	6,600
1983												
JAN	1,750	140	1,410	200	7,160	800	3,720	2,640	22,080	3,900	9,950	8,230
FEBp	850	150	280	420	7,370	520	2,810	4,040	27,750	4,220	9,050	14,480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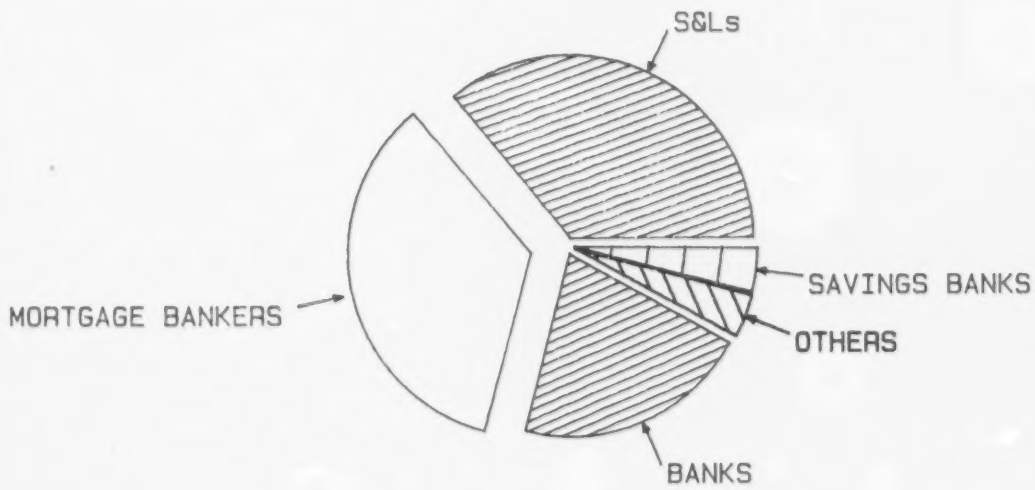
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July 1983

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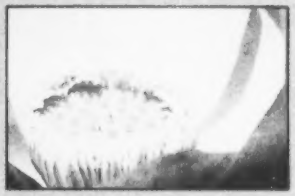

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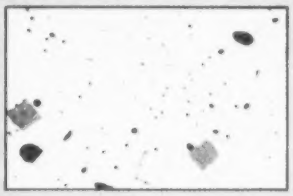

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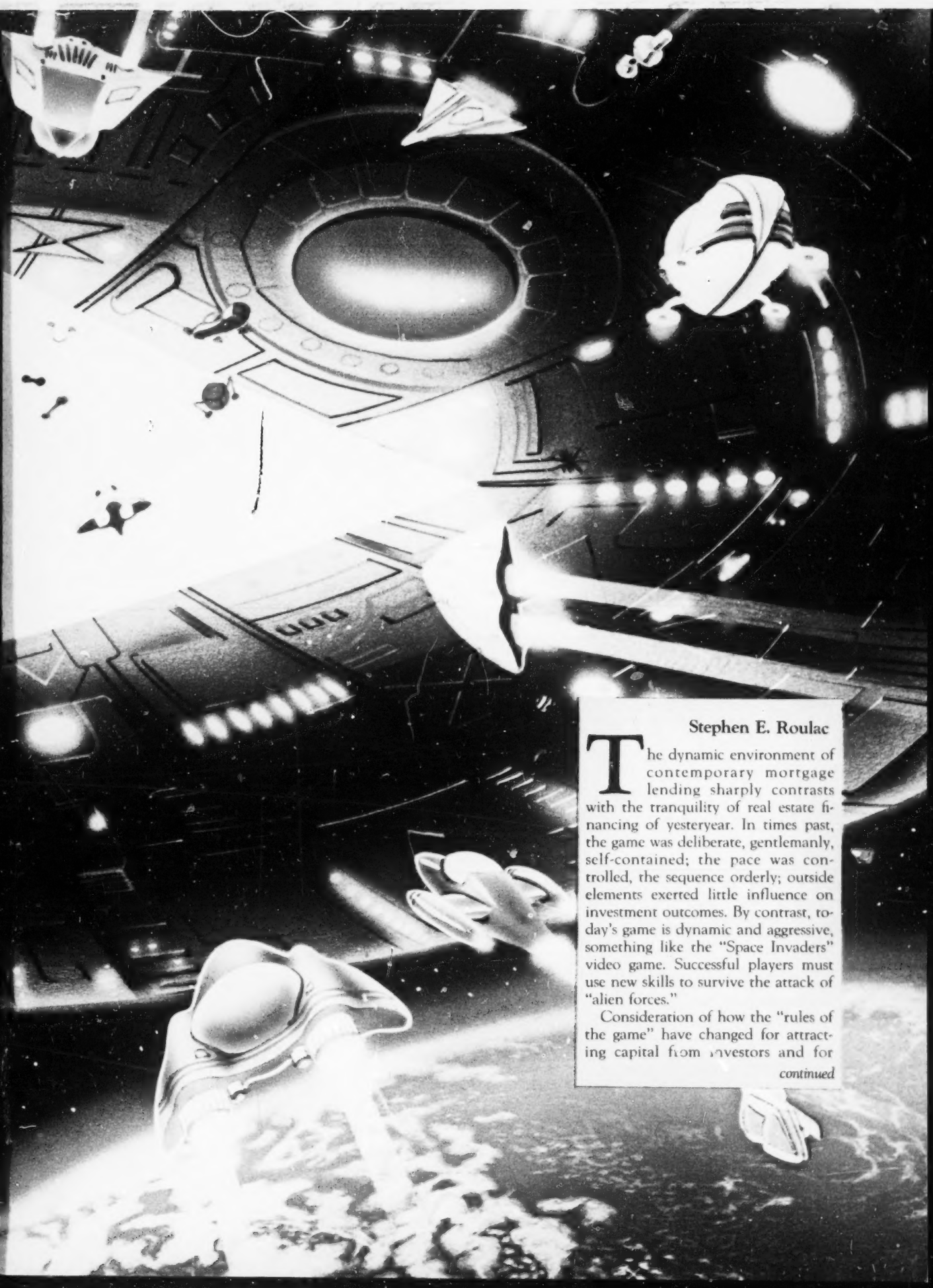
MORTGAGE LENDING: NEW AGE, NEW STRATEGIES



Stephen E. Roulac

The dynamic environment of contemporary mortgage lending sharply contrasts with the tranquility of real estate financing of yesteryear. In times past, the game was deliberate, gentlemanly, self-contained; the pace was controlled, the sequence orderly; outside elements exerted little influence on investment outcomes. By contrast, today's game is dynamic and aggressive, something like the "Space Invaders" video game. Successful players must use new skills to survive the attack of "alien forces."

Consideration of how the "rules of the game" have changed for attracting capital from investors and for

continued

investing capital in real estate interests is fundamental to formulating a responsive strategy for the "Space Invaders era." Such consideration means recognizing the emergence of real estate as a legitimate institutional investment and the proliferation of real estate options for such involvement. New players have entered the field, and existing players are adopting modern game strategies. To surmount the challenge of the Space Invaders requires a dynamic strategic orientation.

As successful financial institutions aggressively manage both the right side (money raising) and left side (investing) of their balance sheets, financial services firms need to know how the managerial processes of these two sides of the business have been transformed. Such understanding makes effective strategies possible.

Right side of the balance sheet

The institutions that successfully navigated the financial storms of the late 1970s and early 1980s did so by aggressively pursuing new sources of funds to stem the tide of disintermediation to the money market funds. Whereas in times past mortgage lenders could count on a relatively predictable, substantial positive margin above an approximate 5 percent cost of capital, with the primary variable occurring in the spread between the two plus to four point range, the fundamental economics of the business have now changed.

Over the last several years, many institutional investors have experienced extraordinary pressures from a short/long term and fixed/variable rate imbalance, resulting from an application of short-term, expensive, floating rate funds to a portfolio of fixed-rate, longer-term, lower-yielding mortgages. The real estate involvements of successful institutions have been characterized more by equity, risk control, and participation programs than by fixed-rate, long-term lending.

Those institutions that failed to respond to the changing dynamics of the business found themselves in a compromised and exposed position, where the relationship between the cost of funds and the yield on investment was insufficient to cover operating costs—and in some instances was negative.

Whether one likes it or not, all institutions are in the midst of a race to determine who will dominate financial services. The competition for the savings dollar includes insurance companies, banks, securities firms, savings and loans, and investment managers. Traditional boundaries between business sectors are no longer respected, as the distinctions between one class of business and the next are being blurred. In an era of financial services conglomerates, establishing an effective nationwide delivery system and a broad product line is crucial. The financial institution seeking the savings dollar must provide an expanding financial services package.

While the organization of the delivery system for financial services is experiencing extraordinary transformation, the financial services sector from the household financial resources perspective is a relatively mature market. The total pool of personal household capital is about $4.7 trillion with 2 percent annual real growth. Based on demographic factors, in the 1980s the major growth will be in the 25-44 age category, with some 16 million new persons in their prime borrowing and spending (rather than saving) age. The implication of these forces for business opportunity is that growth will come from a redistribution of the composition of the financial services dollar. Because new business development will more often than not be at the expense of the competition, effective strategies merit the highest priority.

In addition to savings, the primary source of potentially available investable funds is the pension accounts of corporations, unions, and public agencies. At present, these pension funds amount to approximately $800 billion, but by 1995 growth through retained investment earnings and new contributions will raise this figure to some $3 to $3.5 trillion.

Significantly, the increasingly sophisticated financial services clients—both the household financial manager and the pension fund decision maker—now perceive themselves as "near equivalents" to financial institutions in having a broad array of investment options. The proliferating choices and the complexity of the products pose extraordinary challenges to determine the most appropriate financial products.

One-stop shopping

The inexorable trend, reflecting both the confusion of the multitude of products and the prospective scale economies of market dominance, is to "one-stop shopping." No longer is it viable to provide a narrow service to an unsophisticated market. Those aggressively managing the right side of the balance sheet are seeking early—and comprehensive—relationships to provide all of an individual's financial services needs. The push is to provide integrated delivery of transactions support (banking, credit cards, and bill paying); borrowing (personal loans, residential mortgages, and home equity loans); investment securities services (savings accounts, money market funds, stock brokerage, real estate securities, mutual funds, and investment management); and financial consulting (estate plan-

continued

Stephen E. Roulac is a partner in the Los Angeles firm of Kenneth Leventhal & Company, and chairman of their national management advisory services with responsibility for their consulting practice. Earlier this year he merged Questor Associates, a real estate advisory firm, into the Leventhal organization. President and chief executive of Questor, he founded the company in 1972. He is co-editor of the Strategic Real Estate *letter and writes the monthly "Property Strategies" column for* Forbes *magazine.*

ning, tax services, and investment strategies). Reflecting this change are advertisements that denounce savings institutions' historic product—the 5 percent passbook savings account—as "just not good enough any more."

The strategy pursued by major financial institutions is to control delivery of a significant portion—if not all—of a household's and pension fund's financial services needs. This new comprehensive relationship mandates an acceleration of new product development and enhancement of internal service delivery capability.

Successful financial institutions and financial services firms will increasingly serve a broad-based market with a full product line. Making the transition from the traditional limited institutional product line to the financial supermarket imposes demanding challenges on those responsible for establishing and implementing strategic direction. The alternative of providing highly sophisticated services to a very specialized niche of the financial services market requires a sharply-focused and clearly-delineated strategy.

Left side of the balance sheet

Because investors commit capital to real estate only after having decided, at least implicitly, *not* to invest that capital in other forms of investment opportunity, understanding the perceptions of those who influence capital allocation decisions rates a high priority. In recent years, real estate has emerged as a legitimate institutional investment. Demand for real estate investing has increased from one in five corporate pension plans five years ago to nearly three in five today, according to surveys by Greenwich Research Associates[1]. But real estate equities were not always accepted as a mainstream investment.

To understand real estate's present status and future potential, an historical perspective of key developments and influencing factors is helpful. One such perspective covering the last six decades is provided in Exhibit 1. Dominance by institutional participants versus lenient loan underwriting standards (favoring opportunistic individuals) has resulted in a persistent theme of cycles, where control of property moves from weaker to stronger participants. These changing control relationships are related to substantial transformations of financing patterns.

Although real estate has long been a favored investment for institutions (references to real estate as an appropriate institutional investment go back at least 800 years) the post-Second World War economic expansion and strong interest in, and performance of, the corporate securities markets combined to relegate real estate to a subordinate position in the minds of institutional and professional investors. Among the reasons for real estate's "second class citizen" status were:

- Participation in real estate was complex and required working with a new—and apparently confusing—set of economic and management relationships;
- Geographical distribution of investment properties made a comprehensive and diversified approach difficult;
- The entrepreneurial orientation of real estate investing tended to work against a professional approach;
- Extreme reliance on debt financing meant there was little or no real equity capital in many properties, thereby restricting equity ownership to those who took an active promotional or developmental role;
- No central market and few investments available in "pre-packaged" securities form placed extra burdens on participants;
- Lack of a research orientation, few analytic decision-making tools, and scarcity of reliable information sources discouraged a professional approach; and,
- Limited availability of appropriate investment vehicles and qualified investment managers.

Now, however, real estate is clearly in the mainstream of professional investing. Five of six senior pension investment officers regard real estate investment as both an effective inflation hedge and a means to contribute to consistent fund performance[2].

Institutionalization of real estate investment

Numerous factors have contributed to the legitimization of real estate as an institutional investment. Reasons for the growing acceptance of and dominance by institutional investors of real estate include:

- *Disappointing performance of corporate securities*—Over the last decade, stock market investing, long perceived as an effective inflation hedge, yielded disappointing investment results, with returns over certain periods failing even to retain real purchasing power of invested capital. And bonds—long perceived as offering stability, preservation of capital and good current income—suffered substantial declines in real purchasing power, yields that fall short of those available from other sources, and extreme volatility.
- *Recognition of real estate's favorable risk-reward attributes*—During the 1970s there was increasing recognition, in both the popular press and investment journals, of the relative investment merit of real estate. Serious research was conducted on real estate's favorable risk-reward relationships, leading to the conclusion that real estate offered the prospect of reduced risk for a comparable return, or higher return for a similar level of risk. The experience of the general populace with higher housing prices, increasing rent levels and the apparent general prosperity of the real estate sector all combined to stimulate interest in real estate investment[3].
- *Inflation*—After an extended period of minimal inflation following the Second World War, investors encountered double-digit inflation in 1974, which eased slightly during the mid-1970s recession, then galloped

ahead at double-digit rates through the end of the decade. Growing concern over the diminishing purchasing power of the dollar directed investor interest to tangibles, particularly real estate.

• *Diversification*—Investor interest in diversification was stimulated by the Employee Retirement Income Security Act (ERISA) that codified in law the investing principle that diversification into multiple types of investment was desirable as a means of reducing risk for a given level of expected return. Many interpreted the diversification provisions of ERISA as being, if not a mandate, at least a strong reason for extending the accepted investment horizon beyond corporate securities[4].

• *Lure of an inefficient market*—With attention through the middle and latter years of the 1970s directed to the so-called "efficient market," consideration of how investment managers could perform relative to the overall market became increasingly popular. As a result of this "efficient market" debate, greater attention was directed to those investment areas perceived as being less efficient, such as real estate investing[5].

• *International influences*—Growing foreign involvement in the United States real estate markets during the 1970s stimulated interest in real estate, as American investors interpreted this as a signal that such foreigners "were on to something." Greater awareness of the role of real estate in international portfolios, where 25-30 percent real estate holdings are the norm, fueled interest in the legitimacy of real estate investment[6].

• *Tax reform*—Recent tax reform legislation—including the tax reform acts of 1969, 1976, 1978, and 1981—has generally been perceived as favorable to real estate. More significant, perhaps, than the actual consequences of such tax changes and their effects on real estate was the considerable publicity about real estate as a favored tax shelter.

• *Shifting debt-equity relationships*—Until the mid-1970s, real estate financing was characterized by high ratios of debt, to the point where it was not uncommon for a developer to "mortgage out," that is, generate all of the funds needed to build a proj-

continued

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Exhibit 1

A Half-Century Perspective of the Real Estate Market

Balance of Power	1920	1930	1940	1950
Strong Financial Institutions	$10+ billion of mortgage bond financings (speculative excesses—and subsequent losses—paralleled stock market experience of the 1920s)	institutions became owners of many properties through mortgage foreclosures	production devoted to World War II armament	great pent-up demand creates real estate investment trust vehicle
	excessive overbuilding contributed to financial instability	new construction limited during Depression: mostly public works	many demand units domiciled overseas	emergence of New York-based syndication
Promotional & Opportunistic Entrepreneurs			limited effective demand, some remaining "surplus" supply	major regional shopping centers emerge
	1920	1930	1940	1950

SOURCE: Kenneth Leventhal & Co.

ect from a mortgage loan. In such a setting, there was little incentive to organize an equity capital market. In recent years, the distinction between debt and equity has become blurred, as rising costs and declining ratios of debt have meant more real estate equity investment has been required[7].

• *Institutionalization of Wall Street*—The growing dominance of institutions in the corporate securities markets and the concurrent decline of the individual investor's involvement created a "product void" for the Wall Street distribution networks. Distribution of various "tax shelter" products, and specifically real estate, has become a major business area for Wall Street investment firms. In 1981, for example, E. F. Hutton distributed over $1 billion of tax shelter products.

• *Emergence of financial planning*—Organizations and individuals involved in providing financial services "off Wall Street"—including insurance agencies and smaller broker-dealer firms, which collectively refer to their business as "financial planning"—have been in the forefront in providing an integrated package of products to their clients, with real estate assuming a large role in such efforts. The shift of emphasis in insurance from whole life to term and the emergence of no-load mutual funds have accelerated the need for new products; and real estate, appealing because of its attractive sales commissions, has played a strong role.

• *Realignment of financial services sector*—The shifting roles and influences of various participants in the financial services sector have been generally favorable to the emergence of real estate investing, for the simple reason that there has been a strong push by most major firms to have a full product line, including real estate. Most Wall Street and financial services firms are active both in distributing real estate products and in integrating backwards to "control the factory profit" by directly assuming the sponsorship role. Financial services firms have been aggressively expanding their involvement in the services side of the real estate sector to the point where they offer a full array of services. Indicative of the com-

1960	1970	1980
tax law reform encourages real estate investment trust vehicle	SEC public syndication emerges	inflation-wracked capital markets lead to demise of long-term fixed-rate mortgages
urban crisis and Kaiser Commission report focuses attention on need for 26 million housing units	REITs gain substantial size but experience heavy construction and development loan losses	equity investment dominant
corporate involvement in real estate and housing through acquisitions	corporations experience heavy losses in many direct corporate real estate subsidiaries	real estate becomes legitimate institutional investment
onslaught of new land use control legislation	tax-exempt mortgage revenue loads become primary source of housing finance	after housing price explosion, market softens, prices decline
major life insurance companies stress developer joint venturers	invasion of foreign capital	new tax law creates extraordinary incentives through rehab credits, 15-year depreciation, and opens up new IRA/Keogh funding source
large shopping malls proliferate	beginning of pension involvement	
suburban & residential office development	rejuvenation of major downtown office and hotel development	
private limited partnerships invest in real estate as tax shelter	mid-1970s downturn described as "worst" since Depression—major loan losses	
	tremendous expansion of "Sunbelt" market	
1960	1970	1980

mitment is the fact that Merrill Lynch now employs more real estate brokers than it does stock brokers.

• *Availability of managers and investment vehicles*—Prior to the emergence of equity real estate investing in the 1970s, a major limiting factor was the lack of accepted investment managers and investment vehicles. Most individual investors had few options other than buying and managing a property on their own, an approach that posed a number of burdens, including diseconomies of scale, lack of diversification, management problems, and limited investment opportunity. In recent years, a proliferation of investment managers and vehicles has emerged so that now there is a growing array of means by which investors can participate in real estate investment. As real estate has become an accepted investment by fiduciaries and professional investors the real estate investment management process has been institutionalized.

Capital formation

Whereas historically the real estate sector was unique among major classes of American enterprise in that it did not enjoy a sustained capital market, this condition is rapidly changing. The real estate financing and investment process has moved from a rather staid, predictable arrangement dominated by life insurance companies seeking permanent mortgages and banks looking for construction development loans to an institutionalized financing market where limited partnerships, pension funds, real estate investment trusts, and offshore dollars dominate.

In the last decade there has been a veritable explosion in the number and diversity of investment organizations and opportunities provided to the real estate investor[8]. Traditionally, the limited partnership was intended for the individual investor with tax shelter objectives; the real estate investment trust (REIT) served the interests of the investor seeking a publicly-traded investment vehicle that offered real estate participation; and various forms of trusts, separate accounts, and commingled funds were intended for the tax-exempt investor[9]. While such distinctions still apply,[9] they are less relevant now.

The major investment vehicles—REITs, partnerships, and commingled funds—are growing at inverse rates to their respective emergence as major factors in the investing business. REITs are the oldest of the three, but that sector is relatively mature, while partnerships and pension vehicles are experiencing accelerating growth. Highlights of the evolution of these three investment vehicles are:

• The REITs' emergence occurred primarily between 1960 and 1972, with the majority of the large REITs coming to the market in the expansionary years of the late 1960s. Few significant REITs have been formed since 1972, and the industry experienced a major shake-out when many defaulted, and REIT share prices plummeted. As a result of these massive investment reversals, substantial equities were lost, and many REITs were terminated or merged into other funds. REITs now represent approximately $3.5 billion of equity and $7 billion of assets.

• The limited partnership (or real estate syndication) business emerged in its present form in the late 1960s and early 1970s. Although the recession in the mid-1970s and the adverse publicity about the declining

continued

fortunes of the REITs dampened syndication growth, an explosive expansion of the business has occurred in the last five years as a consequence of factors described above, and particularly the perception of real estate as an inflation hedge; the Tax Reform Act of 1976 limiting other tax shelters; and the aggressive distribution efforts of Wall Street firms. The growth of real estate securities has been and continues to be impressive, as highlighted by the figures in Exhibit 2. Further, private placements have been increasing. Real estate securities investment clearly has formed the most dynamic, recession-resistant segment of the real estate business.

• The pension real estate investment market emerged just over a decade ago, with the first commingled real estate fund directed to pensions being organized by Wachovia Bank in 1968 and Prudential's now dominant PRISA (Prudential Real Estate Investment Separate Account) commencing in 1970. Although banks, insurance companies, and independent managers have introduced a variety of products over the years, only in the last few years has the business experienced rapid growth. Today, pension real estate commitments total around $100 billion, with some $20 to $25 billion invested in equities and the balance in mortgages and mortgage securities.

Business evolution

Among some of the important themes that have influenced the evolution of the business are:

• The emergence of an equities as contrasted to debt orientation

• The "securitization" of real estate financing and investing

• The consequent increase in documentation, reflected by additional regulatory requirements and rising investor expectations

• The shift in emphasis from "finding the deal" to analyzing its investment potential and managing the realization of that potential

• The transition from a largely transaction orientation to a fiduciary emphasis in terms of business relationships

• The vertical integration of service-delivery

The result of these forces has been a transformation of traditional relationships governing real estate financing, leading to new structures for the business.

A full range of options for real estate investors has emerged, ranging from the "boutique" managers offering customized direct investment programs or specialized vehicles, to large organizations committed exclusively to real estate investing activities, to major banking and insurance institutions with substantial subsidiary operations involved in real estate investment management. This proliferation of involvement and blurring of traditional distinctions—with everyone getting into everyone else's business and the traditional barriers crumbling—represents both an opportunity and a challenge. The opportunity is the extraordinary business potential; the challenge is to comprehend and sort it all out.

Activist strategies

As a result of regulatory change, institutions are increasingly assuming the mantle of an active participant in —as opposed to passive financier of —the real estate development and investment process. Individual investors are insisting on this activist role on the part of the financial institution and financial services firm.

Rather than providing a "safe rate" deposit function as part of a relatively passive custodial management role on behalf of depositors, institutions must be activist investment managers if they are to retain existing clients and compete successfully for new business. The disciplines of real estate development and investment management are assuming increasing relevance, while the traditional administrative talents required in years past have a lower priority and are being transformed by new technology.

Exhibit 2

Public Real Estate Syndication Volume

Year	Dollars Raised (billions)
1980	1.0
1981	1.7
1982	2.7
1983 (estimate)	4.0

SOURCE: Kenneth Leventhal & Company

The problems posed by the novelty of real estate strategy decisions in regard to most managers' experience and training are further exacerbated by a dearth of available management talent knowledgeable in real estate investing[8]. Financial institutions' executives have been left to fend for themselves, because few advisors have extended their focuses beyond local markets to combine property-specific analytic capability with the policy orientation of the strategist.

While real estate investing has assumed legitimacy as an accepted, even favored, investment vehicle, the emergence of this business has raced ahead of the "support services" necessary for smoothly functioning markets and effective participation. One of the voids is information—the who, what, which, when, where, why, and how of the business. Most information sources fall far short of what the corporate executive is accustomed to by way of the quality and quantity necessary to support decisions. Although much has been and continues to be written about real estate decisions, most such writing is more get-rich-quick or trade-oriented than managerial in focus, nor is it presented in the accepted executive style or vocabulary.

The kind of information easily found in a security firm's library has, with few exceptions, simply been unavailable in the real estate field. The information sources available are too

continued

often characterized by extraordinary complexity, if not obfuscation. Reliable interpretation requires diligence, experience, and expertise in applying accounting, law, valuation, portfolio theory, and taxation to the investment analysis process.

While the functions of the business are changing significantly, so is the technology by which the packages of financial services are delivered to the customer. Most simply, the advent and advance of the computer makes possible the design and implementation of new financial products generally and has facilitated the timing and delivery of information for management decision purposes.

Those responsible for decisions to commit capital to real estate investing must recognize that the decision processes of managers and advisors lag behind the more strategic approach to corporate securities investing that has emerged in recent years. During the expansive years of the 1950s and 1960s in the corporate securities market, the investment orientation was concentrated on stock-picking. This stock-picking emphasis has evolved over time, however, to the point where many stock and bond managers now emphasize an overall investment strategy over securities analysis per se. But real estate has yet to reflect this more contemporary portfolio-oriented approach.

The majority of those in the real estate business have approached and continue to approach the business from a transaction rather than a portfolio perspective—more reactive than strategic. In a sense, the predominant orientation of real estate investors is a throwback to the "gunslinger" style, popularized, but since discredited, by certain money managers in the mid-1960s. This wheeler-dealer approach is unlikely to be successful in the 1980s.

Consistent with the lack of a strategic orientation by investors has been a style of service by many real estate organizations that will be unsuccessful in more competitive markets. Whereas a strong seller's market meant transaction fees and commissions that were relatively easy to realize, balanced supply-demand relationships place a premium on marketing initiative because servicers must work harder for a reduced volume of business in an era of new competitors and more sophisticated players.

Adjusting to change

Throughout the 1980s, the economy is likely to be characterized by comparatively slower real economic growth, which means that the past approach of buying anything, on the faith that all real estate prices are going up, may be dangerous indeed. But although slower growth is probable, the predictability of important economic parameters and capital flows is highly uncertain. The shifting balance of power between regions committed to smokestack industries and those oriented to the services and information sectors will exacerbate performance variances within the economy and the overall class of real estate investment.

These increasingly varied return prospects will be further accentuated by a material increase in the prospect of technological innovations, in which development may render obsolete past business patterns and investing programs. Such changes will necessarily transform the standards of services and the requisite expertise of those providing financial services.

In today's era of economic discontinuity, the advancing technologies of computers and information systems will transform the ways in which business is conducted. In the near future, it may be more economical and efficient to move information than to move people. If that becomes the case, how valuable will be strategies that depend upon traditional relationships as opposed to those that respond to the new information technology? Those who would surmount the challenge of the Space Invaders must plan responsive strategies and execute them effectively.

Surmounting the Space Invaders challenge

Participants in and providers of real estate services to the financial services sector must be both clear in their direction and nimble in their execution if they are to surmount successfully the challenge of the Space Invaders. The competition for funds is leading inexorably to a financial services business characterized by offering one-stop shopping and a full product line to the individual investor; the pension investor seeks sophisticated and comprehensive investment management capability.

Organizations providing real estate services are increasingly offering a broad-based coverage. As a case in point, the consultants and advisers that dominate the market now combine expert knowledge of real estate investing and markets, strategic and marketing consulting, computer systems and organization capabilities with financing expertise, accounting systems, and advanced tax structuring expertise. Developers are integrating backward to control how money is raised by creating captive mortgage lending subsidiaries and equity syndication capabilities while also controlling their own point of sales and leasing staffs. Brokers and financiers are combining debt and equity packages, broadening their scope of services, and pursuing relationships with continuing project involvements. Investment management organizations are seeking to work directly with capital sources to raise money, then to acquire properties directly from owners and developers, manage the prop-

continued

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erties internally, and ultimately sell the property.

More and more, separate business enterprises are being concentrated within a single enterprise as multiple profit centers. The firm that historically dealt with a defined segment finds there is increasing competition for markets that in the past offered high margins and were largely uncontested, reasonably stable, and predictable. Mortgage bankers and real estate brokers are finding that suppliers/users of funds and buyers/sellers of properties are now competitors rather than customers for services.

The consolidation of the business means fewer "pure" customers and more competitors. More players and greater price competition mean financial services firms must work harder to get business and accept lower margins on the business they get.

In the real estate industry, no longer is there any "safe space" where one can count on continuing to do well year after year. The interaction of horizontal integration on the right side of the balance sheet money raising process and vertical integration of those who participate in real estate on the left side of the balance sheet investing functions poses an extraordinary challenge. Simultaneously, new technologies are transforming the processes by which services are delivered and extending the abilities of major institutions and financial services firms to implement new products and organizational relationships. Responding to the Space Invaders challenge requires a dynamic strategy. □

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[1] *A private survey by Greenwich Research Associates, Greenwich, CT.*

[2] *Survey in June 1981 by Money Market Directories, Inc.*

[3] *Stephen E. Roulac, "Influence of Capital Market Theory in Real Estate Returns and the Value of Economic Analysis,"* The Real Estate Appraiser and Analyst *(November-December, 1978), p. 62.*

[4] *Stephen E. Roulac, "Pension Investments in Real Estate: Diversification Goal?",* New York Law Journal *(September 27, 1976), p. 29.*

[5] *Stephen E. Roulac, "Investment Insights for an Inefficient Market,"* Pension World *(September 1980).*

[6] *Stephen E. Roulac, "Advising Foreign Investors in U.S. Real Estate,"* Real Estate Law Journal *(Fall 1980), p. 108.*

[7] *Stephen E. Roulac, "Changing Economics Imply New Real Property Investment Relationships,"* California Management Review *(Spring 1976), p. 57.*

[8] *A survey early in 1982 identified 35 managers responsible for some $14.5 billion of tax exempt real estate investments, reported in* Questor Real Estate Letter *(May 1982). As of March 30, 1983, there were 88 limited partnership programs, publicly registered with the Securities Exchange Commission, on the market. See* Strategic Real Estate *(April 1983).*

[9] *Pertinent attributes of these legal forms are described in Stephen E. Roulac,* Modern Real Estate Investment: An Institutional Approach *(Property Press, San Francisco, 1976), p. 263.*

[10] *A shortage of managers knowledgeable in real estate has led to considerable pressures on those participating in the business, reflected by heavy turnover and lack of organizational continuity. Some of these trends are discussed in "Changing Structure of Business, New Opportunities Lead to Musical Chairs in Real Estate Executive Suite,"* Questor Real Estate Letter *(July 1982).*

MORTGAGE MARKET TRENDS

Prepared by MBA's Economics Department

June 10, 1983

Although interest rates have dropped sharply since last year, the recent upward pressure on rates calls for an analysis of the current money market environment and its likely impact on real estate finance this year. Since June of 1982, three-month Treasury bill auction yields have plunged from their latest high of 13.3 percent to 8.6 percent. Mortgage yields for fixed-rate loans are down by more than 300 basis points during the same period. This improvement in interest rates has been permitted and facilitated by the Federal Reserve, which actively pushed rates down from mid-1982 until early this year.

The reasons for the accomodative Federal Reserve monetary policy were two-fold: there had been considerable progress on inflation; and there were growing fears of the risks inherent in continuing the worldwide recession. During 1982 consumer prices increased only 3.9 percent, and the increases so far this year have been equally modest. There has been, however, a slight shift in the monetary policy of the Federal Reserve. The Fed no longer is actively pushing down interest rates, due to concern about increased growth in the money supply that could reignite an inflationary spiral. In the six months ending in April, the narrowly defined money supply (M1) grew at an annual rate of 12 percent, well above the Fed target of 4 to 8 percent. This development probably is temporary, due to larger tax refund checks this year and the new money market accounts authorized for banks and thrifts last year. Although money supply declined last week, the financial markets remain nervous about monetary policy because of uncertainty as to whether the Federal Reserve might act to restrict money growth—a move that would push interest rates up further. In addition, the possibility that Fed Chairman Volcker might be replaced in August by someone susceptible to political pressure is contributing to market instability.

As has been pointed out so often this year, the real estate industry is leading the economy out of recession. This rebound is due to the large reductions in interest rates discussed above and is illustrated by the sales of new and existing homes this year. During January through April 1983, the sales of new homes reached an annual rate of 593,000—more than 60 percent above the rate for the same period of 1982. In the existing home category through March, sales averaged an annual rate of 2.58 million, an increase of 31 percent from one year ago. New home starts provide the most dramatic measure of the real estate recovery. Through April this year, new houses were started at an annual rate of 1.65 million, 82 percent ahead of the early 1982 rate. Building permits also are up sharply, indicating that builders expect the surge to continue. Although one-family starts are strong (75 percent ahead of early 1982), multifamily starts are even more impressive, running 83 percent above the same period last year.

While we hope and expect that the housing recovery will continue this year and slowly expand into the income property markets, there is a lingering cloud over our optimistic outlook. It is that interest rates could be pushed up later this year due to market uncertainty over monetary policy, rising private credit demand, and the huge Federal budget deficit. The longer Congress takes to work out a satisfactory solution to the deficit problem, the more the market will doubt its ability to manage fiscal policy. More importantly, an out-of-control fiscal policy eventually will force the monetary authorities to act, either to control inflation or interest rates. Both fiscal and monetary policy must be brought into balance, and neither can bear the full weight of economic policy indefinitely.

Dr. Warren Matthews
Senior Economist

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MORTGAGE MARKET TRENDS—JULY 1983

RESIDENTIAL STRUCTURES, BY UNIT TYPE
(Units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES						HOUSING STARTS					
	Actual			Seasonally Adjusted Annual Rate			Actual			Seasonally Adjusted Annual Rate		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1982												
JAN	47	29	19	832	528	304	48	34	14	877	655	222
FEB	50	32	18	795	509	286	51	37	14	911	644	267
MAR	79	51	28	851	541	310	79	59	20	920	675	245
APR	83	53	29	879	526	353	85	62	23	911	648	263
MAY	81	53	28	944	590	354	99	67	32	1,028	707	321
JUN	89	59	30	929	607	322	91	71	20	910	703	207
JUL	91	53	37	1,062	585	477	107	70	37	1,185	721	464
AUG	80	54	26	888	580	308	96	70	26	1,046	738	308
SEP	100	61	39	1,003	657	346	105	71	34	1,134	773	361
OCT	100	63	37	1,172	737	435	111	73	38	1,142	782	360
NOV	100	64	36	1,284	843	441	109	73	36	1,361	947	414
DEC	76	50	26	1,168	810	358	83	57	26	1,280	921	359
1983												
JAN	85	56	29	1,447	996	461	92	64	29	1,707	1,239	468
FEB	93	56	36	1,479	949	530	96	66	30	1,784	1,220	564
MAR	135	91	44	1,467	985	482	136	96	40	1,627	1,125	502
APR	140p	93p	47p	1,563p	981p	582p	134p	102p	32p	1,490p	1,110p	380p
4 months												
1983	453	296	156				458	328	131			
1982	257	165	93				262	192	70			
1981	354	246	109				386	286	102			
1980	310	216	94				334	241	93			

VALUE OF NEW CONSTRUCTION PUT IN PLACE
(Dollars in millions)

Year and Month	Seasonally Adjusted Annual Rate			
	Total	1 Unit	2+ Units	Non-Res.
1982				
JAN	115,136	35,446	15,821	63,869
FEB	115,975	34,557	15,800	65,618
MAR	117,171	34,725	17,563	64,883
APR	113,782	34,368	15,198	64,216
MAY	115,344	34,388	16,593	64,363
JUN	116,809	34,698	15,060	67,051
JUL	115,489	35,269	16,174	64,046
AUG	115,354	35,198	16,875	63,281
SEP	118,346	35,423	17,560	65,363
OCT	117,877	35,890	16,460	65,527
NOV	119,436	37,697	17,032	64,707
DEC	121,499	40,477	16,773	64,249
1983				
JAN	132,394	47,891	17,978	66,525
FEB	134,005	51,095	19,278	63,632
MAR	137,777	54,755	19,390	61,900
APR	137,768p	58,425p	20,811p	58,532p

HOUSE SALES
(Units in thousands)

Year and Month	EXISTING HOUSES[1]	NEW HOUSES		
		Sold	Available For Sale	Months Supply at Current Rate
1982				
JAN	116	27	273	8.5
FEB	134	28	267	9.0
MAR	181	35	268	8.6
APR	174	33	263	9.3
MAY	169	37	259	8.2
JUN	192	34	253	8.3
JUL	183	31	251	8.5
AUG	186	34	247	7.5
SEP	168	40	248	6.9
OCT	173	41	245	6.1
NOV	167	39	250	5.5
DEC	148	33	255	5.8
1983				
JAN	155	44	256	5.2
FEB	163	46	254	5.4
MAR	237	56	263	5.4
APR	228p	53p	268p	5.7p
4 months				
1983	793	199		
1982	589	120		
1981	736	166		
1980	896	166		

RESIDENTIAL STRUCTURES, BY REGION
(units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES								STARTS							
	Actual				Seasonally Adjusted Annual Rate				Actual				Seasonally Adjusted Annual Rate			
	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West
1982																
JAN	3	2	32	10	65	76	512	179	3	3	32	10	78	123	512	164
FEB	4	3	33	11	86	76	473	160	3	2	36	10	122	84	555	150
MAR	8	8	47	16	88	87	490	186	7	7	49	16	112	100	521	187
APR	9	10	46	17	97	105	506	171	9	14	47	15	104	157	484	166
MAY	10	13	41	17	110	145	488	201	12	16	54	18	117	144	578	189
JUN	10	12	46	20	105	118	499	207	10	18	44	19	98	157	462	193
JUL	9	12	45	24	101	140	555	266	11	15	62	18	104	159	725	197
AUG	13	10	42	17	113	106	485	184	12	16	49	16	119	164	567	196
SEP	12	15	51	21	114	131	530	228	16	15	54	20	138	141	629	226
OCT	13	14	51	22	135	139	635	263	10	20	58	23	108	156	628	250
NOV	14	13	56	17	127	131	649	285	14	15	63	17	160	183	773	245
DEC	8	7	41	21	112	148	738	307	8	7	47	21	122	155	714	289
1983																
JAN	6	6	52	21	152	188	764	343	5	6	63	18	164	231	992	307
FEB	8	6	57	22	185	163	794	337	7	8	58	24	270	263	900	351
MAR	11	14	82	28	136	173	835	323	13	13	82	28	215	200	875	337
APR	15p	17p	75p	34p	181p	175p	843p	364p	13p	18p	74p	29p	171p	192p	823p	324
4 months																
1983	40	43	266	105					38	45	277	99				
1982	24	22	158	53					22	26	164	50				
1981	32	45	184	92					26	48	205	87				
1980	28	38	155	89					26	41	180	89				

CONSTRUCTION STATUS
(units in thousands)

Year and Month	UNDER CONSTRUCTION			COMPLETIONS		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1982						
JAN	657	413	244	72	48	24
FEB	644	407	237	63	41	22
MAR	646	412	234	73	50	23
APR	653	419	234	75	53	22
MAY	666	425	241	86	61	25
JUN	671	438	232	85	76	28
JUL	690	442	248	85	64	21
AUG	690	442	248	91	66	25
SEP	713	450	263	84	63	21
OCT	717	448	269	102	71	30
NOV	732	453	279	94	68	26
DEC	718	439	279	96	68	28
1983						
JAN	728	442	286	81	60	21
FEB	747	456	291	78	53	25
MAR	835	517	318	91	69	22
APR	792	485	307	87p	64p	23
4 months						
1983				337	246	91
1982				283	191	92
1981				396	293	102
1980				516	366	148

INTEREST RATES AND YIELDS

Year and Month	1-4 UNIT MORTGAGES					APARTMENTS[3]	CONSTRUCTION LOANS[3] ALL TYPES	FNMA		GNMA Current Securities Yield[4]	SELECTED SECURITIES				SPREADS (Basis Points)	
	FHA Opinion Survey			FHLBB Survey				Mandatory Delivery Yields			Aaa Utility New Issue	U.S. Gov't.		Prime Commercial Paper 90-119 Days	FHA New Minus Aaa Utility	GNMA minus 10-yr Gov't.
	FHA New[1]	Conventional		Conventional				ARM (Plan 6)	Conv			10-yr	26-wk			
		New	Existing	New	Existing											
1982																
JAN	17.38	17.30	17.30	15.25	15.92	18.13			17.500	16.22	15.68	14.59	12.930	13.09	170	163
FEB	17.10	17.20	17.20	15.12	15.73	17.38	17.86		17.375	16.24	15.93	14.43	13.709	14.53	117	181
MAR	16.41	16.80	16.85	15.67	15.65	16.88			16.750	15.83	15.26	13.86	12.621	13.80	115	197
APR	16.31	16.65	16.75	15.84	16.00	16.88			16.125	15.56	15.83	13.87	12.861	14.06	48	169
MAY	16.19	16.50	16.55	15.89	16.11	16.88	17.80		16.000	15.26	15.22	13.62	12.220	13.42	97	164
JUN	16.73	16.75	16.80	15.40	15.56	17.62			16.375	15.89	15.92	14.30	12.310	13.96	81	159
JUL	16.29	16.50	16.55	15.70	15.52	17.13			16.125	15.54	15.61	13.95	12.236	12.94	68	159
AUG	14.61	15.40	15.45	15.71	15.63	15.62	17.19		15.500	14.31	13.95	13.06	10.105	10.15	66	125
SEP	14.03	15.05	15.05	14.99	15.30	15.37			14.750	13.51	13.50	12.34	9.539	10.36	53	117
OCT	12.99	13.95	13.95	14.41	14.95	14.13		13.097	14.000	12.86	12.20	10.91	8.299	9.20	79	195
NOV	12.82	13.80	13.80	13.81	14.29	13.88	15.14	12.605	13.375	11.85	11.76	10.55	8.319	8.69	106	130
DEC	12.80	13.62	13.64	13.70	13.95	13.37		12.346	13.000	12.00	11.84	10.54	8.225	8.51	96	146
1983																
JAN	12.87	13.44	13.45	13.49	13.54	13.88		12.097	13.000	11.89	12.05	10.46	7.898	8.17	82	143
FEB	12.65	13.18	13.19	13.16	13.40	13.75	12.56	12.376	12.875	12.20	12.08	10.72	8.233	8.34	110	148
MAR	12.68	13.17	12.85	13.51	13.04	13.50		11.916	12.920	11.82	11.70	10.51	8.325	8.52	98	131
APR	12.50	13.02	13.07	12.44p	12.87p	13.63		11.955	12.775	11.78	11.41	10.45	8.415	8.59	109	113

LONG-TERM MORTGAGE LOANS CLOSED
(Dollars in Millions)

Year and Month	BY TYPE OF INSTITUTION					BY TYPE OF UNIT, AND INSTITUTION													
						1-4 Units					5+ Units					Nonresidential			
	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.
1981																			
NOV	8,227	1,890	2,809	2,778	750	5,593	1,520	2,421	1,620	32	342	40	159	126	17	2,292	330	229	1,032	701
DEC	9,778	2,290	3,302	3,119	1,062	6,261	1,660	2,669	1,887	45	555	170	184	174	27	2,777	280	449	1,058	990
1982																			
JAN	7,691	2,030	2,410	2,471	780	4,991	1,560	1,975	1,440	16	452	90	168	168	26	2,388	520	267	863	738
FEB	8,302	2,140	2,600	2,966	596	5,519	1,760	2,097	1,620	42	598	120	246	178	54	2,215	290	257	1,168	500
MAR	10,600	3,180	3,160	3,465	795	6,957	2,420	2,626	1,872	39	477	90	207	129	51	3,096	600	327	1,464	705
APR	9,755	2,900	3,100	3,071	684	6,721	2,420	2,582	1,674	45	469	50	177	172	70	2,565	400	341	1,225	569
MAY	9,689	3,080	3,193	2,899	517	6,626	2,450	2,541	1,597	38	479	190	163	111	15	2,614	470	489	1,191	464
JUN	11,792	3,440	4,041	3,826	485	8,153	2,850	3,258	1,995	50	687	180	271	223	13	2,932	390	512	1,608	422
JUL	10,874	2,940	3,427	3,661	846	7,361	2,330	2,922	2,049	60	501	70	206	177	48	2,862	390	299	1,435	738
AUG	10,108	2,710	3,601	3,251	546	7,412	2,500	2,909	1,958	45	543	40	280	210	13	2,423	440	412	1,083	488
SEP	10,807	2,620	3,858	3,855	474	7,911	2,460	3,130	2,276	45	563	20	295	226	22	2,393	200	433	1,353	407
OCT	10,954	3,080	3,529	3,764	581	7,637	2,480	2,817	2,296	44	781	340	216	210	15	2,646	370	496	1,258	522
NOV	13,450	4,460	4,026	4,458	506	10,067	3,930	3,148	2,935	54	702	220	337	107	38	2,751	380	541	1,416	414
DEC	19,578	5,850	6,443	5,724	1,561	13,941	5,390	4,778	3,705	68	1,025	50	605	297	73	4,482	280	1,060	1,722	1,420
1983																			
JAN	16,530	6,400	4,755	4,595	780	12,137	5,840	3,621	2,678	48	1,066	250	529	246	41	3,426	410	605	1,721	691
FEB	18,116	6,960	5,090	5,197	869	13,850	6,820	3,946	3,041	43	958	90	383	407	78	3,748	490	761	1,749	748
MAR	23,138	8,590	7,577	5,955	1,016	17,149	7,160	5,877	4,054	58	1,061	70	677	233	81	4,498	930	1,023	1,668	877

LONG-TERM COMMITMENT ACTIVITY
(Dollars in Millions)

Year and Month	OUTSTANDING					ISSUED DURING MONTH				
	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.
1981										
OCT	44,888	6,310	17,897	8,045	12,636	6,641	2,340	2,716	1,233	352
NOV	42,713	4,750	17,416	8,319	12,228	5,958	1,920	2,507	1,167	364
DEC	44,917	7,440	16,887	9,130	11,460	7,183	3,150	2,823	940	300
1982										
JAN	44,598	8,070	16,653	9,025	10,850	7,237	2,940	2,261	1,743	293
FEB	43,552	7,740	16,529	8,794	10,489	7,480	3,080	2,844	1,131	425
MAR	46,125	8,910	16,664	9,630	10,921	10,005	4,130	3,347	1,564	964
APR	48,376	9,090	17,186	11,381	10,719	10,329	4,650	3,390	1,579	710
MAY	49,695	9,390	17,362	12,345	10,598	9,690	4,180	3,350	1,627	533
JUN	49,270	9,240	17,327	12,543	10,160	8,765	3,220	3,597	1,648	300
JUL	49,726	9,610	16,951	13,436	9,729	9,171	3,410	3,537	1,679	545
AUG	50,855	10,410	17,748	13,192	9,505	9,646	3,750	3,847	1,615	434
SEP	51,994	11,350	18,241	13,108	9,295	11,139	5,290	3,888	1,466	495
OCT	54,730	13,610	19,328	12,512	9,280	13,394	7,040	4,024	1,620	710
NOV	60,452	16,540	20,785	13,457	9,670	16,226	8,060	5,017	1,819	1,330
DEC	65,375	19,940	21,548	14,267	9,620	17,913	7,780	6,082	1,991	1,304
1983										
JAN	66,607	20,160	22,945	13,802	9,700	15,343	6,660	5,555	1,928	1,200
FEB	74,301	24,060	25,677	14,847	9,717	17,367	6,950	7,271	2,076	1,070
MAR	80,178	26,500	28,846	14,982	9,850	23,050	8,410	10,291	3,051	1,298

MORTGAGE INSURANCE
(Units in thousands, dollars in millions)

Year and Month	APPLICATIONS RECEIVED UNITS			INSURED							
		FHA/		Total		FHA (203)		VA		Private	
	Total	VA	Private	Units	Amt.	Units	Amt.	Units	Amt.	Units	Amt.
1981											
OCT	51	24	27	43	2,310	8	341	9	485	26	1,484
NOV	47	24	23	41	2,119	10	389	8	464	23	1,266
DEC	62	38	24	38	1,957	8	311	6	357	24	1,289
1982											
JAN	48	31	17	31	1,726	7	270	6	327	18	1,129
FEB	54	32	22	32	1,785	8	356	7	393	17	1,036
MAR	69	37	32	39	2,193	9	373	7	421	23	1,399
APR	63	34	29	35	1,976	8	322	6	374	21	1,280
MAY	67	31	36	43	2,222	8	335	6	328	29	1,559
JUN	83	40	43	50	2,743	9	408	8	443	33	1,892
JUL	84	38	46	52	2,687	9	375	9	482	34	1,830
AUG	82	36	46	54	2,997	8	352	10	573	36	2,072
SEP	91	47	44	60	3,248	11	462	13	743	36	2,043
OCT	103	59	44	52	2,826	10	425	6	385	36	2,016
NOV	104	60	44	53	2,920	11	498	8	455	34	1,967
DEC	175	125	50	63	3,471	16	703	9	564	38	2,204
1983											
JAN	137	98	39	54	3,201	14	637	10	630	30	1,934
FEB	138	96	42	62	3,607	17	795	15	961	30	1,851
MAR	176	113	63	87	5,003	31	1,508	20	1,243	36	2,252

SECONDARY MARKET ACTIVITY
(Dollars in Millions)

Year and Month	FNMA				FHLMC				GNMA	
	Portfolio		Mortgage Backed Securities		P.C.s Issued	Comm.	Purc.	Sold	Pass-Through Securities	
	Comm.	Purc.	Comm.	Issued					Applications	Issued
1981										
AUG	1,394	944			44	308	101	44	2,339	959
SEP	811	1,125			249	365	393	249	8,106	1,184
OCT	533	1,000			245	1,834	290	244	571	739
NOV	560	594			598	2,011	416	598	1,298	795
DEC	1,272	655			1,156	203	1,140	1,156	1,729	1,304
1982										
JAN	813	430	112	322	1,628	3,280	1,629	1,628	1,543	902
FEB	1,204	519	2,287	682	1,115	565	1,228	1,115	1,789	960
MAR	1,880	604	224	1,071	1,564	2,523	1,481	1,564	2,223	1,335
APR	2,482	755	428	662	2,176	2,824	2,144	2,176	1,219	835
MAY	1,550	1,006	467	802	1,194	2,692	1,214	1,194	1,812	1,194
JUN	1,582	1,223	2,696	337	1,564	3,166	1,581	1,564	2,800	1,530
JUL	2,016	1,354	670	1,858	2,205	2,181	2,236	2,205	2,116	1,011
AUG	1,820	1,931	1,694	789	2,618	2,768	2,529	2,618	2,850	1,383
SEP	1,482	1,670	1,503	1,008	1,924	2,892	1,798	1,924	16,429	1,521
OCT	1,426	1,449	1,741	2,167	2,220	2,506	2,000	2,200	1,297	1,441
NOV	2,795	1,681	2,281	1,838	2,177	1,714	1,917	2,177	1,692	1,564
DEC	3,055	2,495	1,415	2,436	3,804	1,068	3,916	3,804	3,093	2,330
1983										
JAN	2,006	2,045	1,409	1,082	2,364	2,059	1,479	1,641	4,593	2,657
FEB	784	1,594	1,496	1,213	847	868	1,688	1,756	4,316	3,573
MAR	1,184	1,433	2,237	,684	1,410	1,438	2,849	2,469	9,487	5,292

MORTGAGE BANKERS CONSTRUCTION AND LAND LOAN ACTIVITY
(Dollars in Millions)

Year and Month	DISBURSEMENTS DURING MONTH					OUTSTANDING COMMITMENTS TO BORROWERS			
	Construction				Land Loans				
	Total	1-4 Units	5+ Units	Non-res.		Total	1-4 Units	5+ Units	Non-res.
1981									
AUG	170	70	40	60	100	5,800	1,010	1,830	2,960
SEP	180	80	40	60	50	3,670	920	1,210	1,540
OCT	280	70	40	170	40	7,030	920	1,330	4,780
NOV	190	70	40	80	40	6,120	750	1,770	3,600
DEC	180	70	40	70	70	7,480	770	2,910	3,800
1982									
JAN	130	30	30	70	30	8,070	650	3,630	3,800
FEB	170	50	40	80	60	7,530	540	3,340	3,650
MAR	130	70	10	50	40	6,420	630	2,000	3,790
APR	360	70	80	210	60	7,820	560	2,330	4,930
MAY	130	50	30	50	40	8,150	660	3,230	4,620
JUN	180	60	40	80	70	7,660	590	2,250	4,820
JUL	160	50	30	80	40	8,900	580	2,250	6,070
AUG	150	60	20	70	50	4,420	690	1,570	2,160
SEP	170	70	30	70	30	6,180	980	2,730	2,470
OCT	170	90	30	50	30	5,540	480	2,340	2,720
NOV	180	110	20	50	20	5,370	590	2,170	2,610
DEC	230	100	40	90	50	5,680	880	1,940	2,860
1983									
JAN	150	80	30	40	60	7,160	800	3,720	2,640
FEB	220	90	40	90	50	9,470	980	4,450	4,040
MAR	230	110	20	100	40	14,050	1,570	9,320	3,160

n.a.–Not available; p–Preliminary
[1]From the National Association of Realtors' "Existing Home Sales" series.
[2]Reflects cumulative total through the latest month for each column.
[3]Secondary market gross yields.
[4]Federal Home Loan Mortgage Corp. Existing construction only.
[5]Federal Reserve's weighted average interest rate for Commercial Banks.
[6]Weighted average gross yields for accepted bids.
[7]Survey of three New York security dealers. Securities for immediate delivery.
[8]Mutual Savings Banks and Commercial Banks.

Sources: American Council of Life Insurance, Board of Governors of the Federal Reserve System, Bureau of the Census, Citicorp Real Estate Inc., Department of Housing and Urban Development, Federal Home Loan Bank Board, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Mortgage Bankers Association of America, National Association of Mutual Savings Banks, National Association of Realtors, Veterans Administration.

MORTGAGE BANKING ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED[1]

Year and Month	SEASONALLY ADJUSTED				NOT SEASONALLY ADJUSTED								
						1-4 Units				5+ Units			
	Total[2]	1-4 Units	5+ Units	Non-Res.	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-[3] Res.
1981													
JUL	3,130	2,430	110	490	3,290	2,690	760	600	1,330	120	110	10	490
AUG	2,900	2,360	340	480	3,360	2,700	790	630	1,280	330	20	310	330
SEP	2,250	1,900	30	380	2,610	2,180	530	420	1,230	50	40	10	380
OCT	2,110	1,550	270	420	2,440	1,870	480	350	1,040	170	0	170	400
NOV	1,890	1,520	40	330	1,820	1,430	400	290	740	40	10	30	350
DEC	2,290	1,660	170	280	2,530	1,800	600	390	810	190	0	190	540
1982													
JAN	2,030	1,560	90	520	1,830	1,390	410	340	640	100	60	40	340
FEB	2,140	1,760	120	290	1,820	1,380	470	280	630	120	90	30	320
MAR	3,180	2,420	90	600	2,790	2,110	600	340	1,170	80	60	20	600
APR	2,900	2,420	50	400	2,570	2,100	570	350	1,180	50	30	20	420
MAY	3,080	2,450	190	470	2,740	2,240	670	410	1,160	110	70	40	390
JUN	3,440	2,850	180	390	3,420	2,920	850	550	1,520	180	170	10	320
JUL	2,940	2,330	70	390	3,020	2,630	780	510	1,340	70	70	0	320
AUG	2,710	2,500	40	440	3,250	2,860	920	580	1,360	40	20	20	350
SEP	2,620	2,460	20	200	3,050	2,820	890	680	1,250	30	20	10	200
OCT	3,080	2,480	340	370	3,560	3,000	1,060	740	1,200	210	120	90	350
NOV	4,460	3,930	220	380	4,290	3,670	1,540	950	1,180	220	200	20	400
DEC	5,850	5,390	50	280	6,470	5,860	2,210	1,540	2,110	60	0	60	540
1983													
JAN	6,400	5,840	250	410	5,760	5,210	2,450	1,450	1,310	280	40	240	270
FEB	6,960	6,820	90	490	5,930	5,380	2,260	1,430	1,690	70	0	70	480
MAR	8,590	7,160	70	930	8,030	6,670	2,730	1,990	1,950	70	50	20	1,290
APRp	6,560	5,640	270	610	5,800	4,810	1,840	1,270	1,700	340	0	340	650

COMMITMENT ACTIVITY: LONG-TERM MORTGAGE LOANS

Year and Month	COMMITMENTS DURING MONTH								OUTSTANDING COMMITMENTS END OF MONTH					
	To Borrowers				From Investors				To Borrowers			From Investors		
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1981														
JUL	2,990	2,630	40	320	4,590	3,730	50	810	7,170	570	640	7,180	980	1,220
AUG	3,510	2,680	10	820	2,880	2,050	30	800	7,270	610	780	7,110	1,130	1,430
SEP	1,820	1,610	90	120	2,330	1,530	120	680	5,260	470	810	5,690	870	1,520
OCT	2,340	1,770	170	400	2,560	1,850	200	510	5,190	280	840	5,280	510	1,130
NOV	1,920	1,320	180	420	4,250	1,490	190	2,570	3,720	390	640	4,170	610	1,150
DEC	3,150	2,370	170	610	2,470	2,020	160	290	5,890	950	600	4,780	1,240	710
1982														
JAN	2,940	2,290	240	410	3,290	2,430	140	720	6,370	1,000	690	5,380	1,260	880
FEB	3,080	2,210	90	780	3,620	2,470	60	1,090	6,220	810	710	4,550	1,130	930
MAR	4,130	3,010	120	1,000	2,850	2,560	140	150	7,730	480	700	5,610	710	930
APR	4,650	2,250	350	2,050	5,760	3,090	390	2,280	7,350	550	1,190	6,520	650	1,170
MAY	4,180	2,560	340	1,280	4,270	2,630	380	1,260	7,970	640	780	6,730	1,180	890
JUN	3,220	2,640	180	400	3,450	2,670	120	660	7,930	550	760	7,240	880	900
JUL	3,410	2,550	80	780	4,890	3,700	120	1,070	7,950	590	1,070	7,830	840	1,240
AUG	3,750	3,140	240	370	4,800	4,260	180	360	9,010	740	660	7,800	990	720
SEP	5,290	4,900	90	300	6,050	5,380	140	530	9,920	940	490	9,830	1,400	670
OCT	7,040	6,240	170	630	3,740	3,120	190	430	13,030	130	450	9,590	620	590
NOV	8,060	6,270	370	1,420	6,910	4,830	640	1,440	15,380	600	560	12,360	1,140	750
DEC	7,780	6,590	120	1070	6,870	5,260	120	1,490	18,890	680	670	11,880	940	810
1983														
JAN	6,660	5,680	120	860	7,640	6,310	110	1,220	18,910	520	730	13,260	1,060	910
FEB	6,950	6,180	240	530	8,850	6,970	520	1,360	21,340	1,830	890	12,240	1,880	1,080
MAR	8,410	7,100	1,010	300	11,420	9,180	1,220	1,020	23,490	2,550	460	13,980	3,080	830
APRp	8,340	3,230	4,060	1,050	10,750	5,000	4,130	1,620	11,090	n.a.	970	10,220	n.a.	1100

Notes: [1]All dollar amounts are in millions.

[2]Total is seasonally adjusted separately from components. Total, therefore, may not equal sum of parts.

[3]Series labeled non-residential are also inclusive of farm data.

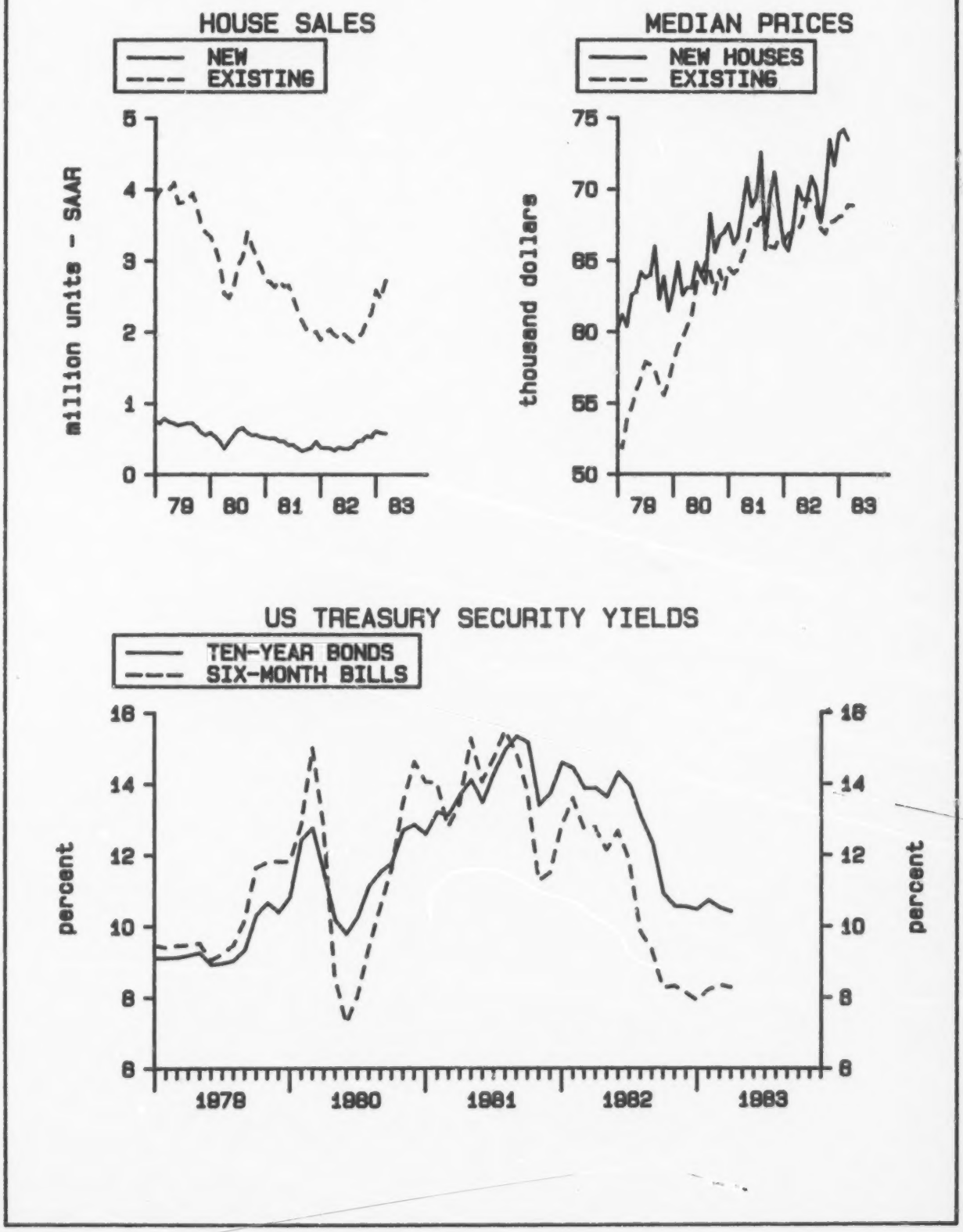
[4]Percent coverage equals outstanding commitments received from investors divided by the sum of outstanding end of month inventory and outstanding commitments issued to borrowers, all multiplied by 100.

Year and Month	OUTSTANDING END OF MONTH INVENTORY									COVERAGE[a]			SERVICING VOLUME		
		1-4 Units				5+ Units									
	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1981															
JUL	4,140	2,860	760	570	1,530	620	50	570	660	72	82	92	219,360	21,500	42,510
AUG	4,180	2,910	770	550	1,590	560	10	550	710	70	97	96	216,870	24,020	41,880
SEP	3,990	2,660	640	470	1,550	460	40	420	870	72	94	90	195,370	19,140	39,590
OCT	4,330	2,640	580	400	1,660	570	60	510	1,120	67	60	58	214,730	20,730	46,680
NOV	3,580	2,220	480	340	1,400	570	60	510	790	70	64	80	188,070	19,880	37,990
DEC	4,330	2,280	470	320	1,490	1,230	160	1,070	820	59	57	50	212,560	22,750	39,210
1982															
JAN	4,510	2,340	490	340	1,510	1,240	170	1,070	930	62	56	54	222,860	23,790	44,400
FEB	4,100	2,140	440	320	1,380	1,120	200	920	840	54	59	60	223,400	22,860	44,140
MAR	4,160	2,470	520	320	1,630	710	100	610	980	55	60	55	235,950	26,690	43,830
APR	4,670	2,380	510	350	1,520	910	110	800	1,380	67	45	46	233,690	24,910	46,580
MAY	4,560	2,470	530	370	1,570	1,210	110	1,100	880	64	64	54	239,060	26,040	45,020
JUN	3,360	2,400	630	410	1,360	530	130	400	430	70	81	76	244,630	25,090	44,340
JUL	5,150	2,690	640	490	1,560	1,220	140	1,080	1,240	74	46	54	238,360	22,700	43,030
AUG	5,000	2,910	710	450	1,750	1,240	140	1,100	850	65	50	48	258,320	25,020	44,360
SEP	6,140	3,000	740	490	1,770	2,380	140	2,240	760	76	42	50	258,260	25,560	44,620
OCT	6,160	3,170	750	640	1,780	2,020	140	1,880	970	59	29	42	269,470	26,150	46,350
NOV	6,650	3,620	1,000	740	1,880	2,120	290	1,830	910	65	42	51	280,360	26,450	47,050
DEC	6,320	4,400	1,370	960	2,070	1,130	160	970	790	52	52	55	292,440	26,300	49,670
1983															
JAN	8,260	4,830	1,680	1,150	2,000	2,590	330	2,260	840	56	34	58	298,680	30,890	47,110
FEB	9,070	5,260	1,700	1,160	2,400	2,620	340	2,280	1,190	46	42	52	274,470	42,570	48,710
MAR	11,390	6,290	2,040	1,480	2,770	4,070	360	3,710	1,030	47	47	56	280,870	39,210	50,680
APR[p]	7,960	4,370	1,420	1,050	1,900	2,740	50	2,690	850	66	52	60	238,650	38,930	46,960

CONSTRUCTION AND LAND LOAN ACTIVITY

Year and Month	DISBURSEMENTS DURING MONTH					CONSTRUCTION LOANS CLOSED				END OF MONTH INVENTORY				
	Total	1-4 Units	5+ Units	Non-Res.	Land Loans	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Land Loans
1981														
JUL	220	100	40	80	80	420	130	140	150	3,370	1,190	920	1,260	880
AUG	170	70	40	60	100	350	110	80	160	4,010	1,190	980	1,840	2,040
SEP	180	80	40	60	50	420	100	170	150	3,250	1,130	910	1,210	810
OCT	280	70	40	170	40	820	310	150	360	4,020	1,150	980	1,890	900
NOV	190	70	40	80	40	380	110	50	220	3,960	1,000	1,030	1,930	870
DEC	180	70	40	70	70	990	590	130	270	4,240	1,020	1,120	2,100	900
1982														
JAN	130	30	30	70	30	530	50	160	310	3,400	810	800	1,790	910
FEB	170	50	40	80	60	380	70	70	240	3,550	830	890	1,830	950
MAR	130	70	10	50	40	530	100	70	360	3,250	800	800	1,650	910
APR	360	70	80	210	60	550	90	180	280	3,810	820	960	2,030	1,010
MAY	130	50	30	50	40	690	80	200	410	3,740	780	960	2,000	970
JUN	180	60	40	80	70	810	80	380	350	4,290	840	1,090	2,360	1,020
JUL	160	50	30	80	40	510	60	320	130	4,210	840	960	2,410	970
AUG	150	60	20	70	50	620	100	250	270	3,480	900	920	1,660	1,000
SEP	170	70	30	70	30	370	90	160	120	3,840	960	950	1,930	1,000
OCT	170	90	30	50	30	200	90	90	20	4,620	1,150	1,180	2,290	920
NOV	180	110	20	50	20	440	120	270	50	3,880	1,110	890	1,880	950
DEC	230	100	40	90	50	500	130	110	260	4,050	1,180	900	1,970	1,030
1983														
JAN	150	80	30	40	60	300	140	30	130	3,510	990	830	1,690	920
FEB	220	90	40	90	50	320	120	80	120	4,410	1,240	860	2,310	1,000
MAR	230	110	20	100	40	500	190	200	110	3,940	1,260	610	2,070	890
APR[p]	180	70	10	100	50	310	170	70	70	2,580	800	320	1,460	1,010

Year and Month	COMMITMENTS TO BORROWERS: LAND AND CONSTRUCTION LOANS							NOTES PAYABLE			
	Issued During Month				End of Month Balances				End of Month Balances		
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Total	Comm. Paper	To Parent	To Others
1981												
JUL	680	120	250	310	3,490	1,060	1,440	990	11,760	2,350	4,820	4,590
AUG	980	120	270	590	5,800	1,010	1,830	2,960	12,350	2,300	5,530	4,520
SEP	970	80	290	600	3,670	920	1,210	1,540	10,770	2,460	4,380	3,930
OCT	1,200	130	160	910	7,030	920	1,330	4,780	11,510	2,320	5,260	3,930
NOV	1,050	120	520	410	6,120	750	1,770	3,600	10,870	1,680	5,270	3,920
DEC	1,920	140	1,310	470	7,480	770	2,910	3,800	10,960	1,160	5,710	4,090
1982												
JAN	2,050	180	1,400	470	8,070	650	3,620	3,800	11,070	1,130	5,770	4,170
FEB	690	70	190	430	7,5	540	3,340	3,650	11,230	1,180	5,360	4,690
MAR	920	190	170	560	6,420	630	2,000	3,790	11,930	1,250	6,610	4,070
APR	2,730	110	1,090	1,530	7,820	560	2,330	4,930	12,610	1,000	5,540	6,070
MAY	1,280	140	670	470	8,150	660	3,230	4,260	11,570	1,130	5,070	5,370
JUN	950	130	300	520	7,660	590	2,250	4,820	13,810	1,230	5,680	6,900
JUL	950	70	330	550	8,900	580	2,250	6,070	11,350	1,820	5,000	4,530
AUG	760	110	350	300	4,420	690	1,570	2,160	12,900	1,630	5,110	6,160
SEP	670	100	430	140	6,180	980	2,730	2,470	12,250	1,950	5,760	4,540
OCT	1,860	110	1,600	150	5,540	480	2,340	2,720	20,460	1,380	7,370	11,710
NOV	720	160	320	230	5,370	590	2,170	2,610	14,630	1,640	6,010	7,000
DEC	950	180	360	410	5,680	880	1,940	2,860	16,630	2,540	7,490	6,600
1983												
JAN	1,750	140	1,410	200	7,160	800	3,720	2,640	22,080	3,900	9,950	8,230
FEB	1,140	180	420	540	9,470	980	4,450	4,040	18,760	3,630	7,220	7,910
MAR	4,650	440	3,820	390	14,050	1,570	9,320	3,160	19,860	5,280	7,340	7,240
APR[p]	3,820	220	2,860	740	25,050	1,380	20,750	2,920	14,260	3,180	6,330	4,750


HOUSE SALES
NEW
EXISTING
million units - SAAR
5
4
3
2
1
0
79
80
81
82
83
MEDIAN PRICES
NEW HOUSES
EXISTING
thousand dollars
75
70
65
60
55
50
79
80
81
82
83
US TREASURY SECURITY YIELDS
TEN-YEAR BONDS
SIX-MONTH BILLS
percent
16
14
12
10
8
6
1979
1980
1981
1982
1983

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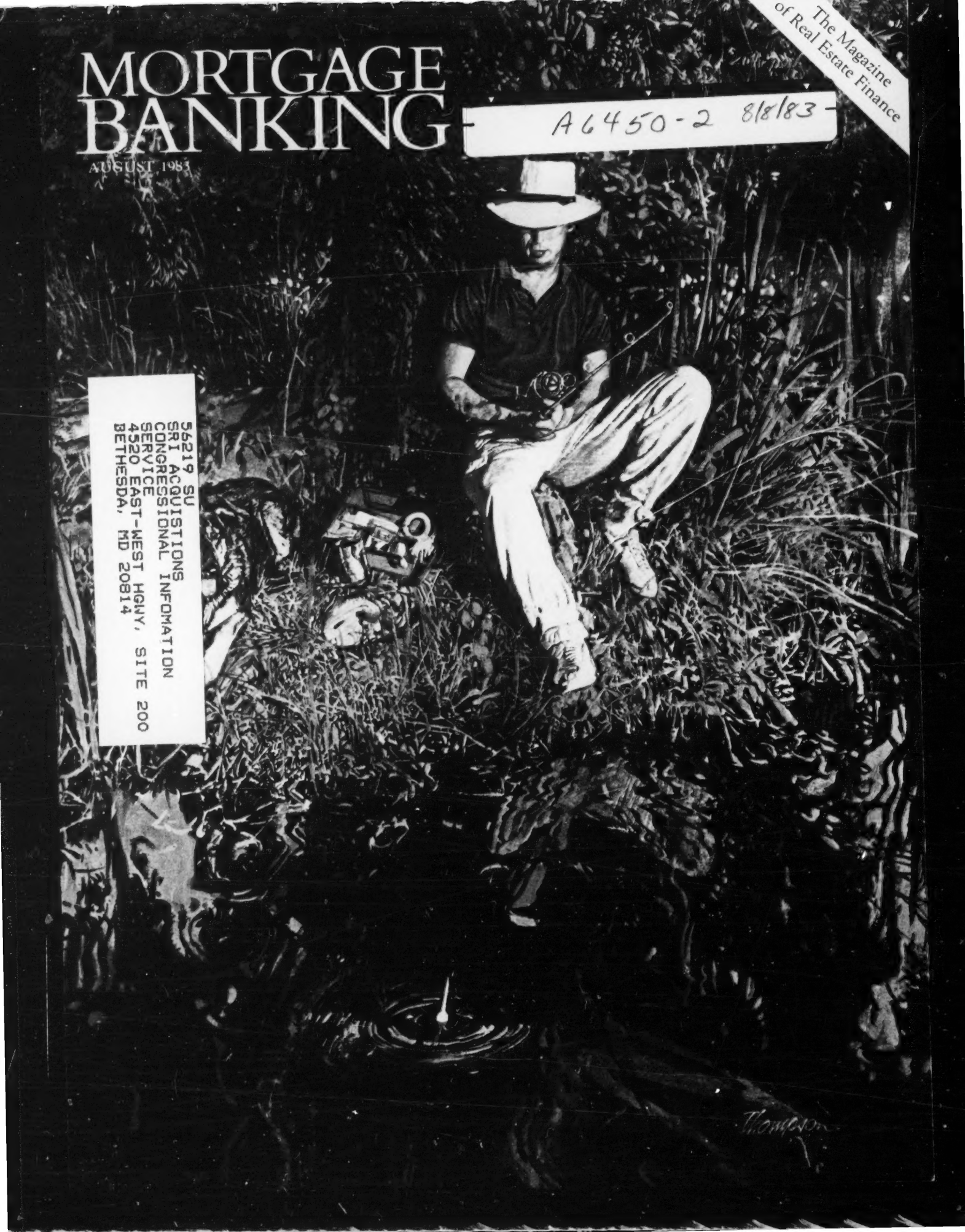

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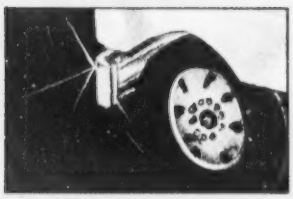

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THE LAST WORD

Canadian Mortgage Delinquencies

Robert B. Hulley

The year 1976 was a turning point for the mortgage industry in Canada: it was beginning to occur to lenders and borrowers alike that things could go wrong. Defaults headed towards alarming levels, and an increasing number of foreclosures followed.

The public had not become disenchanted with the idea of home ownership. But borrowers had become the unfortunate victims of the economy, unemployment, and high interest rates. The number of home owners in serious difficulties climbed to an unprecedented level by the end of 1982 from a mere handful in the 1960s.

Causes of default

The causes of mortgage defaults are difficult to pinpoint. "Does a divorce or separation bring about a non-payment of a mortgage debt, or does a family financial crisis bring about a divorce?" questioned Al Munro, vice president of the Mortgage Insurance Company of Canada (MICC). "We tried to establish the causes of serious defaults (90 days) and surveyed 1,191 cases in 1982. Basically, it showed that unemployment, bankruptcies, excessive debt load, marital problems, and reduced income were the major culprits. But there is a considerable amount of overlapping in these causes." (See Table 1).

Many of the reasons given for mortgage default in this survey continue to be a problem for Canadians. Last year two Vancouver daily newspapers laid off 80 workers in order to "retain profitability . . . and to protect our business and the livelihood of the majority of the staff." The steel industry was in decline, with Stelco, one of the Canada's largest steel makers, laying off 7000 people in Hamilton.

By March 1983 the situation had not improved, and a total of 1,658,000 people were out of work. Canadian National Railway reported a 10 percent decline in freight, and its corporate earnings fell by a record 58.8 percent.

"The primary cause of defaults in 1982 was unemployment and economic conditions," confirmed Robert Ledingham, manager of mortgage insurance claims for Canada Mortgage and Housing Corporation (CMHC). "We came up with an arrangement for temporary help in instances where a person became unemployed," he said. "The borrower pays 30 percent of his income (for his mortgage loan) and we defer part of his required payment until he is again employed."

But even larger real estate organizations were experiencing difficulties. Some frantically sold off surplus properties to raise cash, and a number of well-known speculators who had invested heavily in real estate across Canada filed for bankruptcy. They were not alone.

Bankruptcy, which ranks high among the causes of defaults, was declared by 10,929 individuals and companies in the first quarter of 1983, up 12.7 percent from the first three months of 1982. The debts of the companies declaring bankruptcy amounted to $548.7 million for the first quarter of 1983.

The unsettled economy seemed to generate a number of social changes as well. One was the alarming rise in the number of divorces. Government figures projected a nearly 40 percent chance that a marriage in Canada would end in divorce.

Outlook for 1983 is brighter

But not all the news affecting the default rate is bad. There are some definite signs of improvement. The recent sharp drop in interest rates has

continued

Table 1

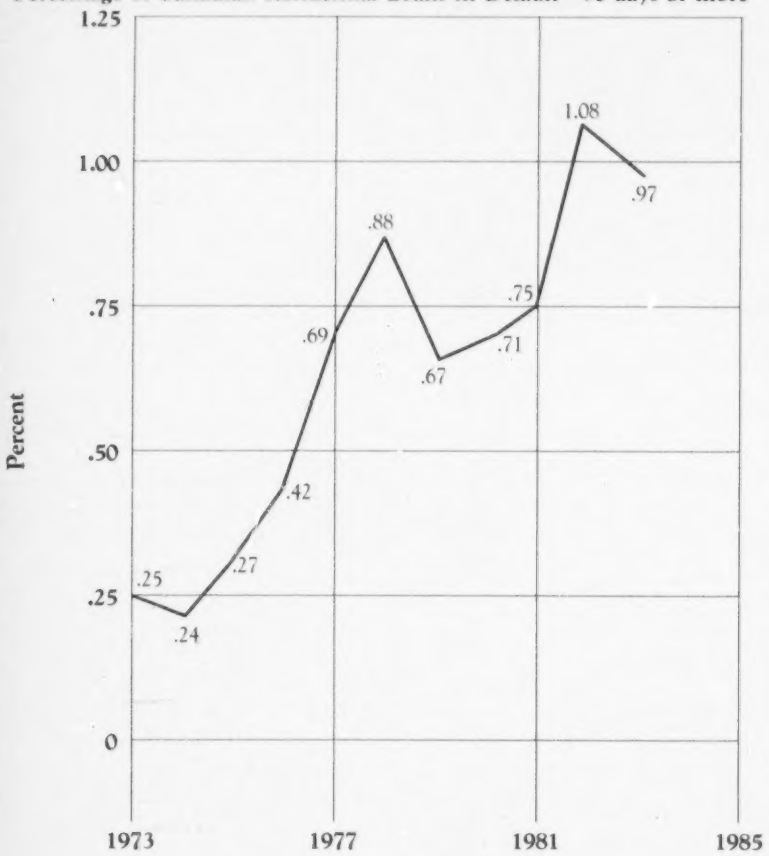
Survey of Defaults

Unemployment	162
Bankruptcy	153
Excessive Debt	96
Marital Problems	89
Reduced Income	84
Mortgage Renewal	68
Abandonment	54
Poor Market	27
Cost Overruns	20
Illness	15
Death	8
Other	125
Unknown	290
Total	1191

"The Last Word" is an uncritical forum for readers who may wish to advance a new idea, comment on an old one, or offer their opinion on any subject of interest to the real estate finance industry. Opinions are those of the authors, and may or may not be shared by ***Mortgage Banking.***

Graph 1

Percentage of Canadian Residential Loans in Default—90 days or more



permitted borrowers to refinance at more favorable rates, thereby reducing their debt load. The housing market continues to improve, thereby providing defaulted borrowers more opportunities to dispose of their property and redeem their mortgage.

Housing starts continued to gain momentum; they climbed in March 1983 to a seasonally-adjusted level of 177,000 units. This is 12 percent ahead of last year's figures.

When Statistics Canada, the government statistics agency, announced that the Consumer Price Index had fallen for the ninth consecutive month in a row, a sense of relief was felt across the country. Reduced income through erosion of purchasing power had ranked high among the causes of default, therefore the CPI decline was very welcome.

On the darker side, however, there appears to be little prospect of improvement in the rate for bankruptcies, unemployment, and divorce—all of which may continue to be major causes of mortgage default in 1983. Reductions in interest rates will be the single most important factor in bringing down the default rate. Lower interest rates will also give momentum to improvements in housing starts and the housing market in general. A reduction in the CPI remains doubtful, and a wait-and-see attitude seems to be prevalent. Many economists don't know whether the lower CPI indicates a start of a greater decline or just a momentary respite from spiralling inflation.

The weighted average forecast identified a default rate (90 days or more) of 1.08 at the end of 1982. This compares with an actual rate of .99 as determined by CMHC on their insured loans and 1.28 by MICC. The forecast showed, however, that there would be a decline to .97 by the end of 1983; this would represent the first major drop in the default rate since 1979. It is a long distance from the .25 level in 1973 but encouraging news nonetheless. Statisticians would say that the rate will have to fall below .75 to indicate a definite downward trend; however, because of the multiplicity of factors involved, a further forecast would have to be made in 1984 to determine the strength of the trend. (See Graph 1.)

Outlook

Many executives are seeing signs of improvement, and they predict continued but moderate growth in the year ahead. "Lenders have begun to see a turnaround in their mortgage business,' said Tom Alton, Scotiabank's general manager of mortgages. "Defaults have peaked, which was part of the general economic malaise. The mortgage business in the past three months has been very good for the bank. But it won't grow as it did in the past," he added. □

Robert B. Hulley is a practicing real estate counselor in Toronto, Canada. He is a member of the American Society of Real Estate Counselors, an accredited appraiser of the Appraisal Institute of Canada, and a fellow of the Realtors Institute. Mr. Hulley has extensive experience with investment properties and mortgage lending and is a lecturer and writer on real estate matters.

MORTGAGE MARKET TRENDS

Prepared by MBA's Economics Department

July 13, 1983

After one of the longest post-war recessions on record, the economy began its long-awaited recovery in December 1982. The upturn was foreshadowed in early fall by resurgence in the stock market and by the steady rise in the index of leading economic indicators. The new recovery began at a slow 2.6 percent annual rate of real GNP growth in the first quarter, and many observers expected that it would remain slow by historical standards due to the high level of real interest rates. By the second quarter, however, the economy was surging ahead at an estimated 6.6 percent annual rate, helped along by strong consumer spending and greater than expected business inventory investment and construction activity. This rebound came soon after significant financial institution deregulation and the end of the All-Savers Certificate program made measurement of the narrowly defined money supply (M1) more difficult. Partly for these technical reasons, M1 has grown at a 14 percent annual rate since last August. There are increasing fears, however, that money growth is rapid enough to cause inflation late this year or early next year.

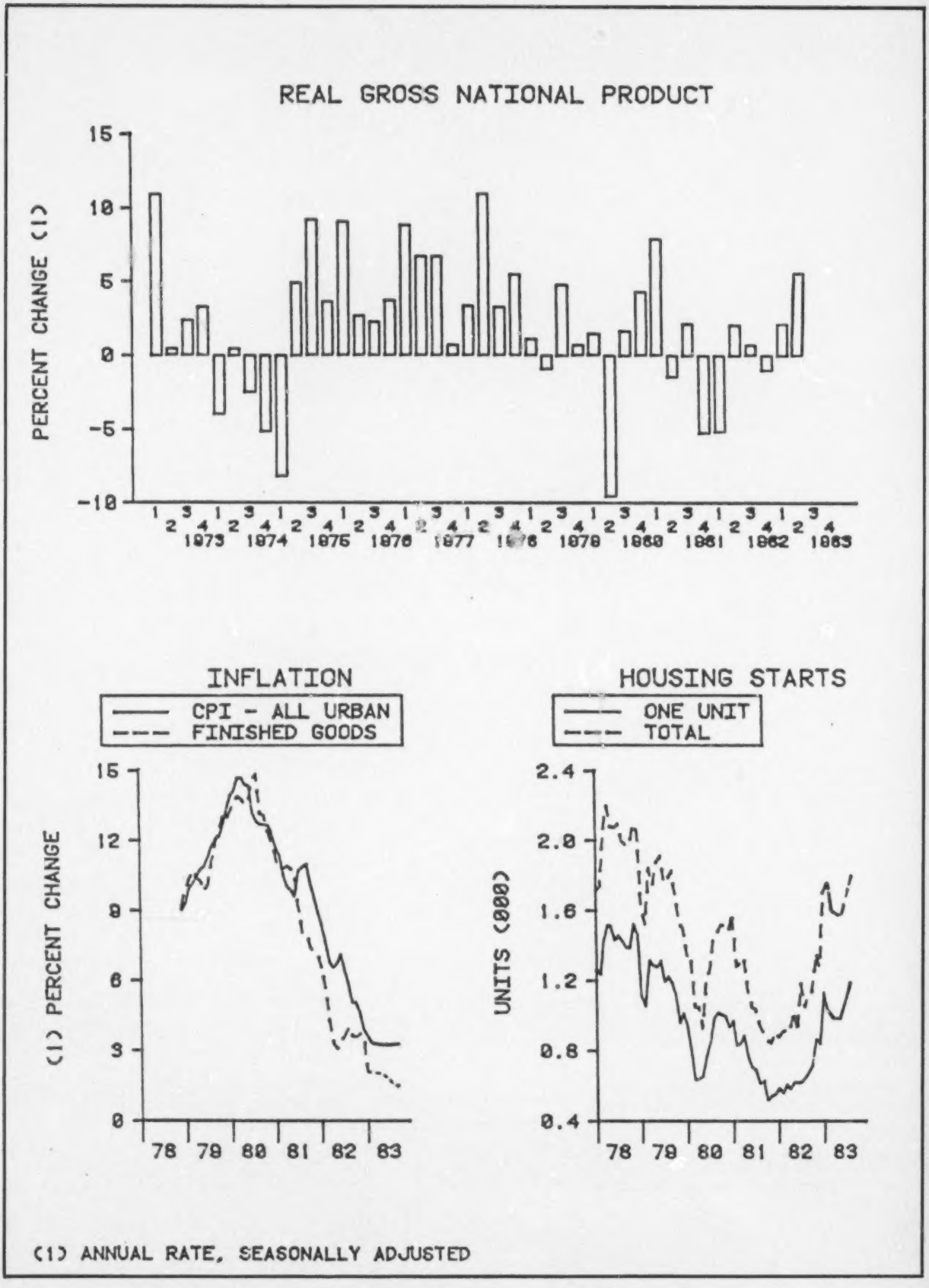
Fiscal policy remains excessive, with the Federal Government budget deficit headed above $200 billion this fiscal year. Even by 1986, the red ink will still be in $130 to $150 billion range under current law. The problem is that the welcome tax cut passed in 1980 has not yet been matched by the appropriate spending cuts needed to restore equilibrium to public sector finances. The situation places more responsibility on the monetary authority to guide economic policy, meaning higher interest rates than would be possible under a more restrained fiscal policy. The bright side of this equation is that fear of rising rates and risk of renewed recession eventually will put pressure on Congress to resolve the imbalance in fiscal policy by restoring a sense of balance between Federal revenue and Federal spending. The latest development on this front was Congressional passage of the first FY 1984 Concurrent Budget Resolution in June that called for more tax increases, less defense spending, and more non-defense spending than the President will accept. Although this resolution does not go to the President, he has vowed to veto the spending bills that would implement it.

Market attention this month has focused on monetary policy and the Federal Reserve. The growth in M1 and recent upward pressure on interest rates surely will be a topic of discussion in today's meeting of the Open Market Committee as it reviews plans for monetary policy for the remainder of this year. The Committee may decide, as Chairman Volcker was saying until recently, that the rapid M1 growth this year is purely technical and will not lead to an inflationary surge later this year. Proponents of this theory point out that the broader monetary aggregates, M2 and M3, are growing within their target ranges. The contrasting view of current monetary developments is that the 14 percent annual rate of M1 growth of the past ten months will revive inflation by next year. This scenario would require a tightening of credit by the central bank soon, which would push up interest rates, especially short-term rates.

It appears most likely that the Fed will adopt a middle course, applying a moderate amount of pressure to the credit markets that will push the Federal funds rate to the 9.5 to 10 percent range. This effort may involve raising the discount rate from 8.5 percent, and it will put pressure on the commercial bank prime rate. The monetary authorities will not exceed this amount of pressure because the need for it is not all that clear and because the international financial situation remains risky. Within weeks, Brazil may default on massive loans from U.S. banks, and Chairman Volcker has been very active in trying to help resolve the international financing problem. In addition, high U.S. rates raise the value of the dollar in the foreign exchange markets, hurting the U.S. balance of trade by encouraging imports and reducing the competitiveness of American exports.

The next effect of these developments should be slight additional upward pressure on interest rates in the coming weeks. Most of this pressure should be in the short-term area, and long-term fixed-rate mortgage yields should stay in the 13 to 14 percent range. This tightness in the credit markets will slow but not stop the economic recovery. The residential real estate market will slow somewhat from its excessive pace of early 1983, and recovery in the office and apartment markets will be delayed later into 1984 in most major markets. Interest rates should move down again by the fall, allowing housing starts to reach 1.5 million units. Existing one-family home sales for 1983 will approach 2.9 million, while new home sales could reach 700,000—both measures about 50 percent ahead of their 1982 performance.

Dr. Warren Matthews
Senior Economist


REAL GROSS NATIONAL PRODUCT
PERCENT CHANGE (1)
15
10
5
0
-5
-10
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
INFLATION
CPI - ALL URBAN
FINISHED GOODS
(1) PERCENT CHANGE
15
12
9
6
3
0
78
79
80
81
82
83
HOUSING STARTS
ONE UNIT
TOTAL
UNITS (000)
2.4
2.0
1.6
1.2
0.8
0.4
78
79
80
81
82
83
(1) ANNUAL RATE, SEASONALLY ADJUSTED

MORTGAGE MARKET TRENDS—AUGUST 1983

RESIDENTIAL STRUCTURES, BY UNIT TYPE
(Units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES: Actual			PERMITS 16,000 ISSUING PLACES: Seasonally Adjusted Annual Rate			HOUSING STARTS: Actual			HOUSING STARTS: Seasonally Adjusted Annual Rate		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1982												
FEB	50	32	18	795	509	286	51	37	14	911	644	267
MAR	79	51	28	851	541	310	79	59	20	920	675	245
APR	83	53	29	879	526	393	85	62	23	911	648	263
MAY	81	53	28	944	590	354	99	67	32	1,028	707	321
JUN	89	59	30	929	607	322	91	71	20	910	703	207
JUL	91	53	37	1,062	585	477	107	70	37	1,185	721	464
AUG	80	54	26	888	580	308	96	70	26	1,046	738	308
SEP	100	61	39	1,003	657	346	105	71	34	1,134	773	361
OCT	100	63	37	1,172	737	435	111	73	38	1,142	782	360
NOV	100	64	36	1,284	843	441	109	73	36	1,361	947	414
DEC	76	50	26	1,168	810	358	83	57	26	1,280	921	359
1983												
JAN	85	56	29	1,447	986	461	92	64	29	1,707	1,239	468
FEB	93	56	36	1,478	949	530	96	66	30	1,784	1,220	564
MAR	135	91	44	1,467	985	482	135	95	40	1,605	1,108	497
APR	138	93	45	1,536	982	554	136	103	32	1,504	1,124	380
MAY	148p	103p	45p	1,622p	1,069p	553p	173p	123p	51p	1,791p	1,262p	529p
5 months												
1983	599	399	199				632	451	182			
1982	341	220	123				363	260	103			
1981	456	314	142				496	370	128			
1980	387	272	115				426	314	112			

VALUE OF NEW CONSTRUCTION PUT IN PLACE
(Dollars in millions)

Year and Month	Seasonally Adjusted Annual Rate: Total	1 Unit	2+ Units	Non-Res.
1982				
FEB	115,975	34,557	15,800	65,618
MAR	117,171	34,725	17,563	64,883
APR	113,782	34,368	15,198	64,216
MAY	115,344	34,388	16,593	64,363
JUN	116,809	34,698	15,060	67,051
JUL	115,489	35,269	16,174	64,046
AUG	115,354	35,198	16,875	63,281
SEP	118,346	35,423	17,560	65,363
OCT	117,877	35,890	16,460	65,527
NOV	119,436	37,697	17,032	64,707
DEC	121,499	30,477	16,773	64,249
1983				
JAN	132,394	47,891	17,978	66,525
FEB	134,005	51,095	19,278	63,632
MAR	137,777	54,755	19,390	61,900
APR	134,925	57,183	20,130	57,612
MAY	140,713p	61,599p	19,942p	59,172p

HOUSE SALES
(Units in thousands)

Year and Month	EXISTING HOUSES[1]	NEW HOUSES: Sold	Available For Sale	Months Supply at Current Rate
1982				
FEB	134	28	267	9.0
MAR	181	35	268	8.6
APR	174	33	263	9.3
MAY	169	37	259	8.2
JUN	192	34	253	8.3
JUL	183	31	251	8.5
AUG	186	34	247	7.5
SEP	168	40	248	6.9
OCT	173	41	245	6.1
NOV	167	39	250	5.5
DEC	148	33	255	5.8
1983				
JAN	155	44	256	5.2
FEB	163	46	253	5.4
MAR	237	57	261	5.3
APR	236	58	268	5.2
MAY	256p	62p	247p	5.1
5 months				
1983	1,047	267		
1982	756	159		
1981	1,021	212		
1980	1,115	209		

RESIDENTIAL STRUCTURES, BY REGION
(units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES: Actual				Seasonally Adjusted Annual Rate				STARTS: Actual				Seasonally Adjusted Annual Rate			
	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West
1982																
FEB	4	3	33	11	86	76	473	160	3	2	36	10	122	84	555	150
MAR	8	8	47	16	88	87	490	186	7	7	49	16	112	100	521	187
APR	9	10	46	17	97	105	506	171	9	14	47	15	104	157	484	166
MAY	10	13	41	17	110	145	488	201	12	16	54	18	117	144	578	189
JUN	10	12	46	20	105	118	499	207	10	18	44	19	98	157	462	193
JUL	9	12	45	24	101	140	555	266	11	15	62	18	104	159	725	197
AUG	13	10	42	17	113	106	485	184	12	16	49	16	119	164	567	196
SEP	12	15	51	21	114	131	530	228	16	15	54	20	138	141	629	226
OCT	13	14	51	22	135	139	635	263	10	20	58	23	108	156	628	250
NOV	14	13	56	17	127	131	649	285	14	15	63	17	160	183	773	245
DEC	8	7	41	21	112	148	738	307	8	7	47	21	122	155	714	289
1983																
JAN	6	6	52	21	152	188	764	343	5	6	63	18	164	231	992	307
FEB	8	6	57	22	185	163	794	337	7	8	58	24	270	263	900	351
MAR	11	14	82	28	136	173	835	323	13	13	80	29	210	196	855	344
APR	14	16	74	34	165	172	832	367	13	18	75	29	170	195	811	328
MAY	15p	19p	75p	38p	152p	187p	871p	412p	17p	24p	93p	39p	167p	220p	1,006p	398p
5 months																
1983	54	61	340	143					55	69	369	139				
1982	34	37	200	72					33	42	218	69				
1981	43	58	233	122					37	68	258	112				
1980	37	51	191	108					38	56	225	110				

CONSTRUCTION STATUS
(units in thousands)

Year and Month	UNDER CONSTRUCTION: Total	1-4 Units	5+ Units	COMPLETIONS: Total	1-4 Units	5+ Units
1982						
FEB	644	407	237	63	41	22
MAR	646	412	234	73	50	23
APR	653	419	234	75	53	22
MAY	666	425	241	86	61	25
JUN	671	438	232	85	76	28
JUL	690	442	248	85	64	21
AUG	690	442	248	91	66	25
SEP	713	450	263	84	63	21
OCT	717	448	269	102	71	30
NOV	732	453	279	94	68	26
DEC	718	439	279	96	68	28
1983						
JAN	728	442	286	81	60	21
FEB	747	456	291	78	53	25
MAR	835	517	318	91	69	22
APR	833	516	317	90	69	21
MAY	899p	564p	335p	107	73p	32
5 months						
1983				447	326	121
1982				366	250	116
1981				492	368	124
1980				636	453	183

INTEREST RATES AND YIELDS

Year and Month	1-4 UNIT MORTGAGES: FHA Opinion Survey: FHA New	Conventional: New	Conventional: Existing	FHLBB Survey: Conventional: New	FHLBB Survey: Conventional: Existing	APARTMENTS[1]	CONSTRUCTION LOANS[2] ALL TYPES	FNMA Mandatory Delivery Yields: ARM (Plan 6)	FNMA Mandatory Delivery Yields: Conv	GNMA Current Securities Yield	SELECTED SECURITIES: Aaa Utility New Issue	U.S. Gov't. 10-yr	U.S. Gov't. 26-wk	Prime Commercial Paper 90-119 Days	SPREADS (Basis Points): FHA New Minus Aaa Utility	GNMA minus 10-yr Gov't.
1982																
FEB	17.10	17.20	17.20	15.12	15.73	17.38	17.86		17.375	16.24	15.93	14.43	13.709	14.53	117	181
MAR	16.41	16.80	16.85	15.67	15.65	16.88			16.750	15.83	15.26	13.86	12.621	13.80	115	197
APR	16.31	16.65	16.75	15.84	16.00	16.88			16.125	15.56	15.83	13.87	12.861	14.06	48	169
MAY	16.19	16.50	16.55	15.89	16.11	16.88	17.80		16.000	15.26	15.22	13.62	12.220	13.42	97	164
JUN	16.73	16.75	16.80	15.40	15.56	17.62			16.375	15.89	15.92	14.30	12.310	13.96	81	159
JUL	16.29	16.50	16.55	15.70	15.52	17.13			16.125	15.54	15.61	13.95	12.236	12.94	68	159
AUG	14.61	15.40	15.45	15.71	15.63	15.62	17.19		15.500	14.31	13.95	13.06	10.105	10.15	66	125
SEP	14.03	15.05	15.05	14.99	15.30	15.37			14.750	13.51	13.50	12.34	9.539	10.36	53	117
OCT	12.99	13.95	13.95	14.41	14.95	14.13		13.097	14.000	12.86	12.20	10.91	8.299	9.20	79	195
NOV	12.82	13.80	13.80	13.81	14.29	13.88	15.14	12.605	13.375	11.85	11.76	10.55	8.319	8.69	106	130
DEC	12.80	13.62	13.64	13.70	13.95	13.37		12.346	13.000	12.00	11.84	10.54	8.225	8.51	96	146
1983																
JAN	12.87	13.44	13.45	13.49	13.54	13.88		12.097	13.000	11.89	12.05	10.46	7.898	8.17	82	143
FEB	12.65	13.18	13.19	13.16	13.40	13.75	12.36	12.376	12.875	12.20	12.08	10.72	8.233	8.34	110	148
MAR	12.68	13.17	12.85	13.51	13.04	13.63		11.916	12.920	11.82	11.70	10.51	8.325	8.52	98	131
APR	12.50	13.02	13.07	12.42	12.88	13.50		11.955	12.775	11.78	11.41	10.40	8.343	8.53	109	138
MAY	12.41	13.09	13.09	12.64p	12.80p	13.63		11.470	12.583	11.54	11.32	10.38	8.20	8.33	109	116

LONG-TERM MORTGAGE LOANS CLOSED

(Dollars in Millions)

Year and Month	BY TYPE OF INSTITUTION					BY TYPE OF UNIT, AND INSTITUTION														
						1-4 Units					5+ Units					Nonresidential				
	Total	Mtg. Bankers	S&Ls	Banks[1]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[1]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[1]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[1]	Life Cos.
1981																				
DEC	9,778	2,290	3,302	3,119	1,062	6,261	1,660	2,669	1,887	45	555	170	184	174	27	2,777	280	449	1,058	990
1982																				
JAN	7,691	2,030	2,410	2,471	780	4,991	1,560	1,975	1,440	16	452	90	168	168	26	2,388	520	267	863	738
FEB	8,302	2,140	2,600	2,966	596	5,519	1,760	2,097	1,620	42	598	120	246	178	54	2,215	290	257	1,168	500
MAR	10,600	3,180	3,160	3,465	795	6,957	2,420	2,626	1,872	39	477	90	207	129	51	3,096	600	327	1,464	705
APR	9,755	2,900	3,100	3,071	684	6,721	2,420	2,582	1,674	45	469	50	177	172	70	2,535	400	341	1,225	569
MAY	9,689	3,080	3,193	2,899	517	6,626	2,450	2,541	1,597	38	479	190	163	111	15	2,614	470	489	1,191	464
JUN	11,792	3,440	4,041	3,826	485	8,153	2,850	3,258	1,995	50	687	180	271	223	13	2,932	390	512	1,608	422
JUL	10,874	2,940	3,427	3,661	846	7,361	2,330	2,922	2,049	60	501	70	206	177	48	2,862	390	299	1,435	738
AUG	10,108	2,710	3,601	3,251	546	7,412	2,500	2,909	1,958	45	543	40	280	210	13	2,423	440	412	1,083	488
SEP	10,807	2,620	3,858	3,855	474	7,911	2,460	3,130	2,276	45	563	20	295	226	22	2,393	200	433	1,353	407
OCT	10,954	3,080	3,529	3,764	581	7,637	2,480	2,817	2,296	44	781	340	216	210	15	2,646	370	496	1,258	522
NOV	13,450	4,460	4,026	4,458	506	10,067	3,930	3,148	2,935	54	702	220	337	107	38	2,751	380	541	1,416	414
DEC	19,578	5,850	6,443	5,724	1,561	13,941	5,390	4,778	3,705	68	1,025	50	605	297	73	4,482	280	1,060	1,722	1,420
1983																				
JAN	16,530	6,600	4,755	4,595	780	12,137	5,840	3,621	2,628	48	1,066	250	529	246	41	3,426	410	605	1,721	691
FEB	18,116	6,960	5,090	5,197	869	13,850	6,820	3,946	3,041	43	958	90	383	407	78	3,748	490	761	1,749	748
MAR	23,138	8,590	7,577	5,955	1,016	17,149	7,160	5,877	4,054	58	1,061	70	677	233	81	4,498	930	1,023	1,668	877
APR	20,099p	6,520p	7,942	4,903	734	14,994p	5,640p	6,292	3,005	57	1,198p	270p	656	223	49	3,903p	610p	990	1,675	628

LONG-TERM COMMITMENT ACTIVITY

(Dollars in Millions)

Year and Month	OUTSTANDING					ISSUED DURING MONTH				
	Total	Mtg. Bankers	S&Ls	Banks[1]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[1]	Life Cos.
1981										
NOV	42,713	4,750	17,416	8,319	12,228	5,958	1,920	2,507	1,167	364
DEC	44,917	7,440	16,887	9,130	11,460	7,183	3,150	2,823	940	300
1982										
JAN	44,598	8,070	16,653	9,025	10,850	7,237	2,940	2,261	1,743	293
FEB	43,552	7,740	16,529	8,794	10,489	7,480	3,080	2,844	1,131	425
MAR	46,125	8,910	16,664	9,630	10,921	10,005	4,130	3,347	1,564	964
APR	48,376	9,090	17,186	11,381	10,719	10,329	4,650	3,390	1,579	710
MAY	49,695	9,390	17,362	12,345	10,598	9,690	4,180	3,350	1,627	533
JUN	49,270	9,240	17,327	12,543	10,160	8,765	3,220	3,597	1,648	300
JUL	49,726	9,610	16,951	13,436	9,729	9,171	3,410	3,537	1,679	545
AUG	50,855	10,410	17,748	13,192	9,505	9,646	3,750	3,847	1,615	434
SEP	51,994	11,350	18,241	13,108	9,295	11,139	5,290	3,888	1,466	495
OCT	54,730	13,610	19,328	12,512	9,280	13,394	7,040	4,024	1,620	710
NOV	60,452	16,540	20,785	13,457	9,670	16,226	8,060	5,017	1,819	1,330
DEC	65,375	19,940	21,548	14,267	9,620	17,913	7,780	6,082	1,991	1,304
1983										
JAN	66,607	20,160	22,945	13,802	9,700	15,343	6,660	5,555	1,928	1,200
FEB	74,301	24,060	25,677	14,847	9,717	17,367	6,950	7,271	2,076	1,070
MAR	80,178	26,500	28,846	14,982	9,850	23,050	8,410	10,291	3,051	1,298
APR	100,473p	44,800p	31,850	13,993	10,330	22,894p	8,340	9,730	3,230	1,594

MORTGAGE INSURANCE

(Units in thousands, dollars in millions)

Year and Month	APPLICATIONS RECEIVED UNITS	INSURED							
	FHA/VA	Total		FHA (203)		VA		Private	
	Total	Units	Amt.	Units	Amt.	Units	Amt.	Units	Amt.
1981									
NOV	47	41	2,119	10	389	8	464	23	1,266
DEC	62	38	1,957	8	311	6	357	24	1,289
1982									
JAN	48	31	1,726	7	270	6	327	18	1,129
FEB	54	32	1,785	8	356	7	393	17	1,036
MAR	69	39	2,193	9	373	7	421	23	1,399
APR	63	35	1,976	8	322	6	374	21	1,280
MAY	67	43	2,222	8	335	6	328	29	1,559
JUN	83	50	2,743	9	408	8	443	33	1,892
JUL	84	52	2,687	9	375	9	482	34	1,830
AUG	82	54	2,997	8	352	10	573	36	2,072
SEP	91	60	3,248	11	462	13	743	36	2,043
OCT	103	52	2,826	10	425	6	385	36	2,016
NOV	104	53	2,920	11	498	8	455	34	1,967
DEC	175	63	3,471	16	703	9	564	38	2,204
1983									
JAN	137	54	3,201	14	637	10	630	30	1,934
FEB	138	62	3,607	17	795	15	961	30	1,851
MAR	176	87	5,003	31	1,508	20	1,243	36	2,252
APR	177	89	5,483	32	1,867	19	1,190	38	2,426

SECONDARY MARKET ACTIVITY

(Dollars in Millions)

Year and Month	FNMA				FHLMC				GNMA	
	Portfolio		Mortgage Backed Securities		P.C.s Issued	Comm.	Purc.	Sold	Pass-Through Securities	
	Comm.	Purc.	Comm.	Issued					Applications	Issued
1981										
SEP	811	1,125			249	365	393	249	8,106	1,184
OCT	533	1,000			245	1,834	290	244	571	739
NOV	560	594			598	2,011	416	598	1,298	795
DEC	1,272	655			1,156	203	1,140	1,156	1,729	1,304
1982										
JAN	813	430	112	322	1,628	3,280	1,629	1,628	1,543	902
FEB	1,204	519	2,287	682	1,115	565	1,228	1,115	1,789	960
MAR	1,880	604	224	1,071	1,564	2,523	1,481	1,564	2,223	1,335
APR	2,482	755	428	662	2,176	2,824	2,144	2,176	1,219	835
MAY	1,550	1,006	467	802	1,194	2,692	1,214	1,194	1,812	1,194
JUN	1,582	1,223	2,696	337	1,564	3,166	1,581	1,564	2,800	1,530
JUL	2,016	1,354	670	1,558	2,205	2,181	2,236	2,205	2,116	1,011
AUG	1,820	1,931	1,694	789	2,618	2,768	2,529	2,618	2,850	1,383
SEP	1,482	1,670	1,503	1,008	1,924	2,892	1,798	1,924	16,429	1,521
OCT	1,426	1,449	1,741	2,167	2,220	2,506	2,000	2,200	1,297	1,441
NOV	2,795	1,681	2,281	1,838	2,177	1,714	1,917	2,177	1,692	1,564
DEC	3,055	2,495	1,415	2,436	3,804	1,068	3,916	3,804	3,093	2,330
1983										
JAN	2,006	2,045	1,409	1,082	2,364	2,059	1,479	1,641	4,593	2,657
FEB	784	1,594	1,496	1,213	847	868	1,688	1,756	4,316	3,573
MAR	1,184	1,433	2,237	1,684	1,410	1,438	2,849	2,469	9,487	5,292
APR	1,023	1,004	1,055	1,152	2,149	3,079	1,807	1,525	6,423	4,359

MORTGAGE BANKERS CONSTRUCTION AND LAND LOAN ACTIVITY

(Dollars in Millions)

Year and Month	DISBURSEMENTS DURING MONTH					OUTSTANDING COMMITMENTS TO BORROWERS			
	Construction				Land Loans				
	Total	1-4 Units	5+ Units	Non-res.		Total	1-4 Units	5+ Units	Non-res.
SEP	180	80	40	60	50	3,670	920	1,210	1,540
OCT	280	70	40	170	40	7,030	920	1,330	4,780
NOV	190	70	40	80	40	6,120	750	1,770	3,600
DEC	180	70	40	70	70	7,480	770	2,910	3,800
JAN	130	30	30	70	30	8,070	650	3,630	3,800
FEB	170	50	40	80	60	7,530	540	3,340	3,650
MAR	130	70	10	50	40	6,420	630	2,000	3,790
APR	360	70	80	210	60	7,820	560	2,330	4,930
MAY	130	50	30	50	40	8,150	660	3,230	4,620
JUN	180	60	40	80	70	7,660	590	2,250	4,820
JUL	160	50	30	80	40	8,900	580	2,250	6,070
AUG	150	60	20	70	50	4,420	690	1,570	2,160
SEP	170	70	30	70	30	6,180	980	2,730	2,470
OCT	170	90	30	50	30	5,540	480	2,340	2,720
NOV	180	110	20	50	20	5,370	590	2,170	2,610
DEC	230	100	40	90	50	5,680	880	1,940	2,860
JAN	150	80	30	40	60	7,160	800	3,720	2,640
FEB	220	90	40	90	50	9,470	980	4,450	4,040
MAR	230	110	20	100	40	14,050	1,570	9,320	3,160
APR	180p	70p	10p	100p	50p	25,050p	1,380	20,780p	2,920p

n.a.–Not available; p–Preliminary

[1] From the National Association of Realtors' "Existing Home Sales" series.

[2] Reflects cumulative total through the latest month for each column.

[3] Secondary market gross yields.

[4] Federal Home Loan Mortgage Corp. Existing construction only.

[5] Federal Reserve's weighted average interest rate for Commercial Banks.

[6] Weighted average gross yields for accepted bids.

[7] Survey of three New York security dealers. Securities for immediate delivery.

[8] Mutual Savings Banks and Commercial Banks.

Sources: American Council of Life Insurance, Board of Governors of the Federal Reserve System, Bureau of the Census, Citicorp Real Estate Inc., Department of Housing and Urban Development, Federal Home Loan Bank Board, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Mortgage Bankers Association of America, National Association of Mutual Savings Banks, National Association of Realtors, Veterans Administration.

MORTGAGE BANKING ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED[1]

Year and Month	SEASONALLY ADJUSTED				NOT SEASONALLY ADJUSTED								
						1-4 Units				5+ Units			
	Total[2]	1-4 Units	5+ Units	Non-Res.	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-[3] Res.
1981													
JUL	3,130	2,430	110	490	3,290	2,690	760	600	1,330	120	110	10	490
AUG	2,900	2,360	340	480	3,360	2,700	790	630	1,280	330	20	310	330
SEP	2,250	1,900	30	380	2,610	2,180	530	420	1,230	50	40	10	380
OCT	2,110	1,550	270	420	2,440	1,870	480	350	1,040	170	0	170	400
NOV	1,890	1,520	40	330	1,820	1,430	400	290	740	40	10	30	350
DEC	2,290	1,660	170	280	2,530	1,800	600	390	810	190	0	190	540
1982													
JAN	2,030	1,560	90	520	1,830	1,390	410	340	640	100	60	40	340
FEB	2,140	1,760	120	290	1,820	1,380	470	280	630	120	90	30	320
MAR	3,180	2,420	90	600	2,790	2,110	600	340	1,170	80	60	20	600
APR	2,900	2,420	50	400	2,570	2,100	570	350	1,180	50	30	20	420
MAY	3,080	2,450	190	470	2,740	2,240	670	410	1,160	110	70	40	390
JUN	3,440	2,850	180	390	3,420	2,920	850	550	1,520	180	170	10	320
JUL	2,940	2,330	70	390	3,020	2,630	780	510	1,340	70	70	0	320
AUG	2,710	2,500	40	440	3,250	2,860	920	580	1,360	40	20	20	350
SEP	2,620	2,460	20	200	3,050	2,820	890	680	1,250	30	20	10	200
OCT	3,080	2,480	340	370	3,560	3,000	1,060	740	1,200	210	120	90	350
NOV	4,460	3,930	220	380	4,290	3,670	1,540	950	1,180	220	200	20	400
DEC	5,850	5,390	50	280	6,470	5,860	2,210	1,540	2,110	60	0	60	540
1983													
JAN	6,400	5,840	250	410	5,760	5,210	2,450	1,450	1,310	280	40	240	270
FEB	6,960	6,820	90	490	5,930	5,380	2,260	1,430	1,690	70	0	70	480
MAR	8,590	7,160	70	930	8,030	6,670	2,730	1,990	1,950	70	50	20	1,290
APRp	6,560	5,640	270	610	5,800	4,810	1,840	1,270	1,700	340	0	340	650

COMMITMENT ACTIVITY: LONG-TERM MORTGAGE LOANS

Year and Month	COMMITMENTS DURING MONTH								OUTSTANDING COMMITMENTS END OF MONTH					
	To Borrowers				From Investors				To Borrowers			From Investors		
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1981														
JUL	2,990	2,630	40	320	4,590	3,730	50	810	7,170	570	640	7,180	980	1,220
AUG	3,510	2,680	10	820	2,880	2,050	30	800	7,270	610	780	7,110	1,130	1,430
SEP	1,820	1,610	90	120	2,330	1,530	120	680	5,260	470	810	5,690	870	1,520
OCT	2,340	1,770	170	400	2,560	1,850	200	510	5,190	280	840	5,280	510	1,130
NOV	1,920	1,320	180	420	4,250	1,490	190	2,570	3,720	390	640	4,170	610	1,150
DEC	3,150	2,370	170	610	2,470	2,020	160	290	5,890	950	600	4,780	1,240	710
1982														
JAN	2,940	2,290	240	410	3,290	2,430	140	720	6,370	1,000	690	5,380	1,260	880
FEB	3,080	2,210	90	780	3,620	2,470	60	1,090	6,220	810	710	4,550	1,130	930
MAR	4,130	3,010	120	1,000	2,850	2,560	140	150	7,730	480	700	5,610	710	930
APR	4,650	2,250	350	2,050	5,760	3,090	390	2,280	7,350	550	1,190	6,520	650	1,170
MAY	4,180	2,560	340	1,280	4,270	2,630	380	1,260	7,970	640	780	6,730	1,180	890
JUN	3,220	2,640	180	400	3,450	2,670	120	660	7,930	550	760	7,240	880	900
JUL	3,410	2,550	80	780	4,890	3,700	120	1,070	7,950	590	1,070	7,830	840	1,240
AUG	3,750	3,140	240	370	4,800	4,260	180	360	9,010	740	660	7,800	990	720
SEP	5,290	4,900	90	300	6,050	5,380	140	530	9,920	940	490	9,830	1,400	670
OCT	7,040	6,240	170	630	3,740	3,120	190	430	13,030	130	450	9,590	620	590
NOV	8,060	6,270	370	1,420	6,910	4,830	640	1,440	15,380	600	560	12,360	1,140	750
DEC	7,780	6,590	120	1070	6,870	5,260	120	1,490	18,890	680	670	11,880	940	810
1983														
JAN	6,660	5,680	120	860	7,640	6,310	110	1,220	18,910	520	730	13,260	1,060	910
FEB	6,950	6,180	240	530	8,850	6,970	520	1,360	21,340	1,830	890	12,240	1,880	1,080
MAR	8,410	7,100	1,010	300	11,420	9,180	1,220	1,020	23,490	2,550	460	13,980	3,080	830
APRp	8,340	3,230	4,060	1,050	10,750	5,000	4,130	1,620	11,090	n.a.	970	10,220	n.a.	1100

Notes: [1]All dollar amounts are in millions.

[2]Total is seasonally adjusted separately from components. Total, therefore, may not equal sum of parts.

[3]Series labeled non-residential are also inclusive of farm data.

[4]Percent coverage equals outstanding commitments received from investors divided by the sum of outstanding end of month inventory and outstanding commitments issued to borrowers, all multiplied by 100.

Year and Month	OUTSTANDING END OF MONTH INVENTORY									COVERAGE*			SERVICING VOLUME		
	Total	1-4 Units				5+ Units			Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
		Total	FHA	VA	Conv.	Total	FHA	Conv.							
1981															
JUL	4,140	2,860	760	570	1,530	620	50	570	660	72	82	92	219,360	21,500	42,510
AUG	4,180	2,910	770	550	1,590	560	10	550	710	70	97	96	216,870	24,020	41,880
SEP	3,990	2,660	640	470	1,550	460	40	420	870	72	94	90	195,370	19,140	39,590
OCT	4,330	2,640	580	400	1,660	570	60	510	1,120	67	60	58	214,730	20,730	46,680
NOV	3,580	2,220	480	340	1,400	570	60	510	790	70	64	80	188,070	19,880	37,990
DEC	4,330	2,280	470	320	1,490	1,230	160	1,070	820	59	57	50	212,560	22,750	39,210
1982															
JAN	4,510	2,340	490	340	1,510	1,240	170	1,070	930	62	56	54	222,860	23,790	44,400
FEB	4,100	2,140	440	320	1,380	1,120	200	920	840	54	59	60	223,400	22,860	44,140
MAR	4,160	2,470	520	320	1,630	710	100	610	980	55	60	55	235,950	26,690	43,830
APR	4,670	2,380	510	350	1,520	910	110	800	1,380	67	45	46	233,690	24,910	46,580
MAY	4,560	2,470	530	370	1,570	1,210	110	1,100	880	64	64	54	239,060	26,040	45,020
JUN	3,360	2,400	630	410	1,360	530	130	400	430	70	81	76	244,630	25,090	44,340
JUL	5,150	2,690	640	490	1,560	1,220	140	1,080	1,240	74	46	54	235,360	22,700	43,030
AUG	5,000	2,910	710	450	1,750	1,240	140	1,100	850	65	50	48	258,320	25,020	44,360
SEP	6,140	3,000	740	490	1,770	2,380	140	2,240	760	76	42	50	258,260	25,560	44,620
OCT	6,160	3,170	750	640	1,780	2,020	140	1,880	970	59	29	42	269,470	26,150	46,350
NOV	6,650	3,620	1,000	740	1,880	2,120	290	1,830	910	65	42	51	280,360	26,490	47,050
DEC	6,320	4,400	1,370	960	2,070	1,130	160	970	790	52	52	55	292,440	26,300	49,670
1983															
JAN	8,260	4,830	1,680	1,150	2,000	2,590	330	2,260	840	56	34	58	298,680	30,890	47,110
FEB	9,070	5,260	1,700	1,160	2,400	2,620	340	2,280	1,190	46	42	52	274,470	42,570	48,710
MAR	11,390	6,290	2,040	1,480	2,770	4,070	360	3,710	1,030	47	47	56	280,870	39,210	50,680
APRp	7,960	4,370	1,420	1,050	1,900	2,740	50	2,690	850	66	52	60	238,650	38,930	46,960

CONSTRUCTION AND LAND LOAN ACTIVITY

Year and Month	DISBURSEMENTS DURING MONTH					CONSTRUCTION LOANS CLOSED				END OF MONTH INVENTORY				
	Total	1-4 Units	5+ Units	Non-Res.	Land Loans	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Land Loans
1981														
JUL	220	100	40	80	80	420	130	140	150	3,370	1,190	920	1,260	880
AUG	170	70	40	60	100	350	110	80	160	4,010	1,190	980	1,840	2,040
SEP	180	80	40	60	50	420	100	170	150	3,250	1,130	910	1,210	810
OCT	280	70	40	170	40	820	310	150	360	4,020	1,150	980	1,890	900
NOV	190	70	40	80	40	380	110	50	220	3,960	1,000	1,030	1,930	870
DEC	180	70	40	70	70	990	590	130	270	4,240	1,020	1,120	2,100	900
1982														
JAN	130	30	30	70	30	520	50	160	310	3,400	810	800	1,790	910
FEB	170	50	40	80	60	380	70	70	240	3,550	830	890	1,830	950
MAR	130	70	10	50	40	530	100	70	360	3,250	800	800	1,650	910
APR	360	70	80	210	60	550	90	180	280	3,810	820	960	2,030	1,010
MAY	130	50	30	50	40	690	80	200	410	3,740	780	960	2,000	970
JUN	180	60	40	80	70	810	80	380	350	4,290	840	1,090	2,360	1,020
JUL	160	50	30	80	40	510	60	320	130	4,210	840	960	2,410	970
AUG	150	60	20	70	50	620	100	250	270	3,480	900	920	1,660	1,000
SEP	170	70	30	70	30	370	90	160	120	3,840	960	950	1,930	1,000
OCT	170	90	30	50	30	200	90	90	20	4,620	1,150	1,180	2,290	920
NOV	180	110	20	50	20	440	120	270	50	3,880	1,110	890	1,880	950
DEC	230	100	40	90	50	500	130	110	260	4,050	1,180	900	1,970	1,030
1983														
JAN	150	80	30	40	60	300	140	30	130	3,510	990	830	1,690	920
FEB	220	90	40	90	50	320	120	80	120	4,410	1,240	860	2,310	1,000
MAR	230	110	20	100	40	500	190	200	110	3,940	1,260	610	2,070	890
APRp	180	70	10	100	50	310	170	70	70	2,580	800	320	1,460	1,010

Year and Month	COMMITMENTS TO BORROWERS: LAND AND CONSTRUCTION LOANS							NOTES PAYABLE			
	Issued During Month				End of Month Balances				End of Month Balances		
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Total	Comm. Paper	To Parent	To Others
1981												
JUL	680	120	250	310	3,490	1,060	1,440	990	11,760	2,350	4,820	4,590
AUG	980	120	270	590	5,800	1,010	1,830	2,960	12,350	2,300	5,530	4,520
SEP	970	80	290	600	3,670	920	1,210	1,540	10,770	2,460	4,380	3,930
OCT	1,200	130	160	910	7,030	920	1,330	4,780	11,510	2,320	5,260	3,930
NOV	1,050	120	520	410	6,120	750	1,770	3,600	10,870	1,680	5,270	3,920
DEC	1,920	140	1,310	470	7,480	770	2,910	3,800	10,960	1,160	5,710	4,090
1982												
JAN	2,050	180	1,400	470	8,070	650	3,620	3,800	11,070	1,130	5,770	4,170
FEB	690	70	190	430	7,530	540	3,340	3,650	11,230	1,180	5,360	4,690
MAR	920	190	170	560	6,420	630	2,000	3,790	11,930	1,250	6,610	4,070
APR	2,730	110	1,090	1,530	7,820	560	2,330	4,930	12,610	1,000	5,540	6,070
MAY	1,280	140	670	470	8,150	660	3,230	4,260	11,570	1,130	5,070	5,370
JUN	950	130	300	520	7,660	590	2,250	4,820	13,810	1,230	5,680	6,900
JUL	950	70	330	550	8,900	580	2,250	6,070	11,350	1,820	5,000	4,530
AUG	760	110	350	300	4,420	690	1,570	2,160	12,900	1,630	5,110	6,160
SEP	670	100	430	140	6,180	980	2,730	2,470	12,250	1,950	5,760	4,540
OCT	1,860	110	1,600	150	5,540	480	2,340	2,720	20,460	1,380	7,370	11,710
NOV	720	160	320	230	5,370	590	2,170	2,610	14,650	1,640	6,010	7,000
DEC	950	180	360	410	5,680	880	1,940	2,860	16,630	2,540	7,490	6,600
1983												
JAN	1,750	140	1,410	200	7,160	800	3,720	2,640	22,080	3,900	9,950	8,230
FEB	1,140	180	420	540	9,470	980	4,450	4,040	18,760	3,630	7,220	7,910
MAR	4,650	440	3,820	390	14,050	1,570	9,320	3,160	19,860	5,280	7,340	7,240
APRp	3,820	220	2,860	740	25,050	1,380	20,750	2,920	14,260	3,180	6,330	4,750

NOTE

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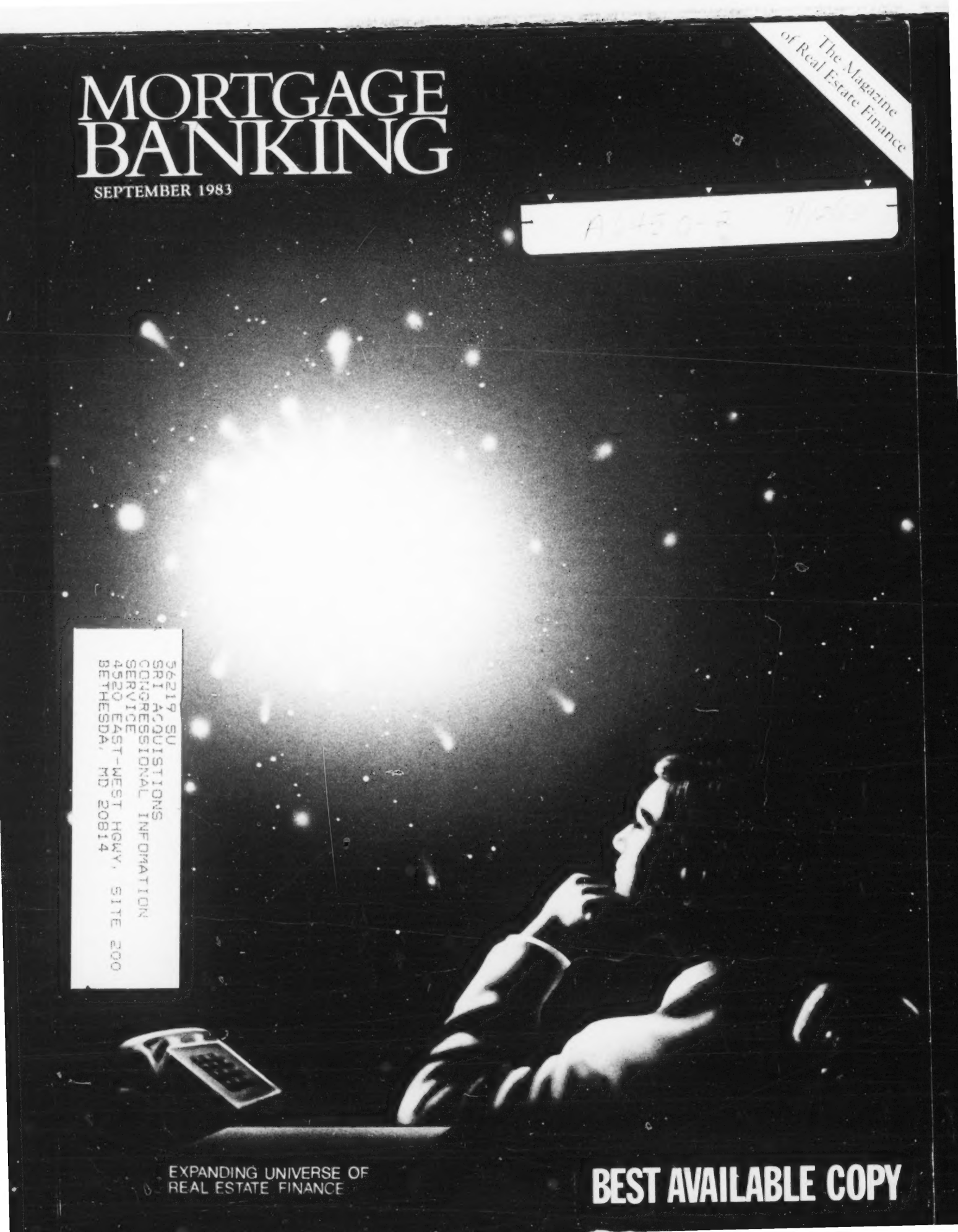

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Cover illustration by: Rob Wood

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Ed. Note:

Real estate lenders have long been aware of the pivotal role housing, and the building industry in general, plays in the national economy. But when members of the general public think about the economic benefits of a house being built, they tend to think in terms of employment for a handful of carpenters, electricians and plumbers, and perhaps a little windfall for the local building supply house.

The New York Times recently published a quite comprehensive study of the benefits that accrue to the economy from the building of one single-family home. We are reprinting the resulting article here, not to preach to the converted, but with the thought that the account might be of value to our readers in their dealings with those less familiar with the industry.

WHO GAINS WHEN HOUSING PROSPERS: *The Ripple Effect*

N. R. Kleinfield

HOWELL TOWNSHIP, N.J.

On Jan. 24, [1983]—a cool day, with nagging winds and clouds scudding across the sky—a truck from an engineering firm called Russell & Lockett, drove up to a parcel of land at 29 Cannonball Drive in the Glen Arden subdivision in this central Jersey community (population: 25,500). Engineers lugged out some wooden stakes and sledge hammers and got busy staking out the precise spot where a house would rise.

The next morning, Fenwick Enterprises showed up with a back hoe and dug out the area where the foundation would go as well as the "trench footings" for the concrete. That set the stage for soil treatment specialists from the Saverite Termite Company to coat the ground with an insecticide called Termide, which had the effect of making the plot a poor choice for termites.

Along Cannonball Drive, they were building a house. Nothing extraordinary about it—1,375 square feet, with three bedrooms, a living room, a dining room, a kitchen with breakfast nook, two bathrooms, a deck out back and a two-car garage. The price tag was $86,950, close to what is the national average for that timeless American dream—the single-family home.

It was, of course, just one house in one community. But hundreds similar to it are sprouting up like dandelions across the country now that lower interest rates have revitalized the long-parched housing industry, which built fewer homes last year than in any year since 1946. Housing is indispensable not only to the people it shelters. It is commonly relied on to pull the economy out of a recession, for the construction

continued

of even one new house has a broad ripple effect on a galactic number of interconnected businesses. Housing is an amazingly decentralized industry; many occupations come to feed at its table.

Wide economic impact

The National Association of Home Builders, for example, figures that when you build one house you create 1,759 man-years of employment and $32,540 in wages. One of its studies found that 6,500 gallons of petroleum are needed to produce the building materials that go into the typical new house. Added together, the group concludes, the total economic impact of just one average home is $148,000.

"Take a nail," remarked William Young, an economist with the trade group. "Someone has to mine the material for it. Someone has to manufacture it. Someone has to transport it. Someone has to sell it. Then someone has to bang it into the wall. These figures don't even count a nail that goes into a couch that you may buy to put into the house. If you purchase a lawnmower, it doesn't count the nail that goes into it."

Taking the ripples even further, every new home plays some role in prompting the local police force to add maybe a patrolman or the school to hire another teacher. "Some would argue that the construction of a new home generates new car sales because people change their transportation habits and may buy a second car," Mr. Young said. "The problem is where do you stop. You can go nuts."

Sitting at the dinner table on Christmas Day, Stan Federovitch looked around him. He saw a cramped five-room apartment in Springfield, N.J. He saw four kids, aged 7 to 14, and a German Shephard named Casey, aged 2. He heard high-decibel bursts of noise. His oldest daughter, Stephanie, plays three instruments, including the bassoon.

Mr. Federovitch glanced at his wife and said, "Sue, this place is getting too small. We're buying a house."

Sue Federovitch has dark hair, a buzz of energy and works as an administrative assistant at Purex. Stan Federovitch has sandy hair and a dry sense of humor. He drives a delivery truck for Anheuser-Busch. She is 33. He is 34. They have been married for 15 years. They have never owned a home and feared they never would.

The following evening, at the end of a bone-wearying day of tramping through houses, Mr. Federovitch spied a sign for Glen Arden, a subdivision being built by U.S. Homes. We're here, he reasoned, so let's look. Before they climbed back in their car, they had plunked down a $100 binder on a house that would be built at 29 Cannonball Drive. As first-time homebuyers they were told by the U.S. Homes salesman that they need put down just 5 percent of the purchase price and could obtain a 25-year mortgage, at a rate of 8 percent the first year, 9 the second, 10 the third and then 11 percent for the duration.

"For us, that was like the heavens opened up," Mrs. Federovitch said.

The Federovitches were jubilant and jittery. Their 12-year old son, Stanley, was gloomy. To him, moving meant losing his buddies.

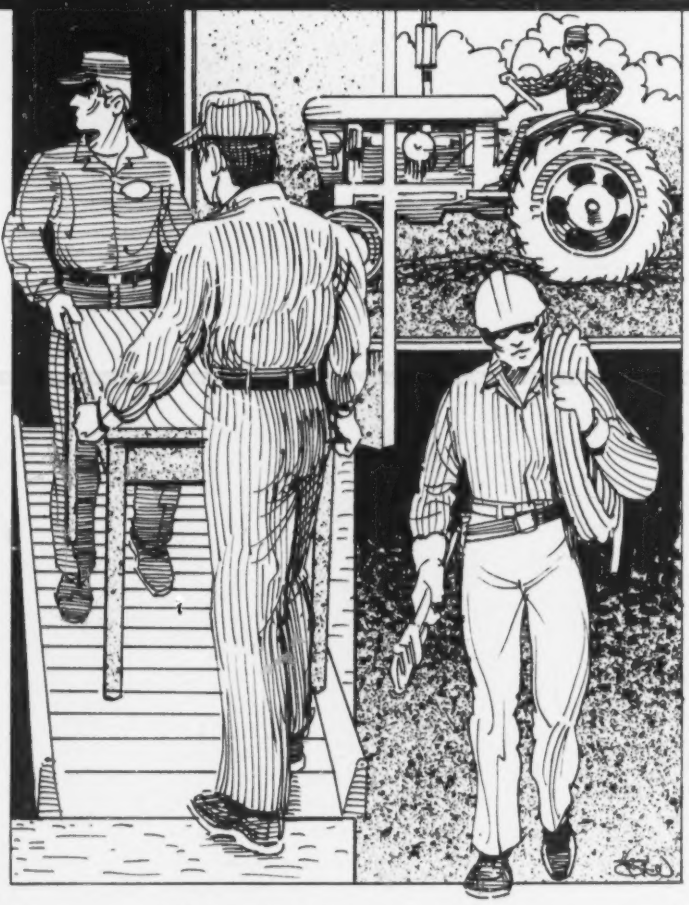
The Builder

All told, 164,378 families live between walls put up by U.S. Homes, the nation's biggest builder of single-family homes. Like the rest of the home-building industry, U.S. Homes suffered tense times the last few years. Its 1982 earnings were $10.1 million, less than a quarter of what they were in 1980. The sun, however, has begun to shine again. In January, sales rose 33 percent over last January; they were up 37 percent in February. The home builders association [NAHB] is betting that 1.44 million new homes will rise this year, up from the calamitous 1.06 million last year.

Still, it is an edgy glee felt by George Matters, the president of U.S. Homes. He sits in his Houston office and worries that profit margins are slender reeds: "U.S. Homes could do better sticking all its money into C.D.'s, rather than building houses. We are not providing adequate return to investors." He is wary that the boom is here to stay. If interest rates worm their way up again, what then? "We can't afford to get too aggressive or go too far out on a limb, because that limb might get cut off on us."

Over the last two years, employment shriveled by one-third, but the company is hiring again. In October 1982, unemployment in the industry hit 22.3 percent, a record. It has improved to 19.7 percent in February and the industry predicts it will narrow to 15 or 16 percent in the summer—still a lot of people minus jobs.

The New Jersey division of U.S. Homes expects to build 40 to 75 percent more homes this year than in 1982, one of them being the house at 29 Cannonball Drive.



Cement

At the end of January, Pineland Plumbing and Heating started installing the underground plumbing (an event that would trickle back to the devastated copper mines). On Feb. 10, work began on the cinderblock wall and, two weeks later, the concrete slab was poured that would form the anchor of the house. Jocama Construction poured the concrete, which it bought from Ralph Clayton & Sons, a ready-mix concrete producer in Lakewood, N.J., that got its cement from Coplay Cement of Nazareth, Pa.

Among the first things a visitor to the Lehigh Valley notices are the cement trucks. The valley in eastern Pennsylvania is one of the country's richest stockpiles of cement. When the Panama Canal was built, the cement came from the valley. Yankee Stadium may have been the "House that Ruth Built," but if so he built it with Lehigh Valley cement.

George Uding fiddled with his glasses. "It's been tough," the president of Coplay Cement said. "The last several years—1980, 1981, 1982—have been bad."

Mr. Uding knows how oppressive selling cement has been. His office here in Nazareth is testimony to that. A bit over a year ago, it belonged to Penn-Dixie's cement division. Penn-Dixie is now out of cement, ruined by losses and out-moded equipment. Coplay owns Penn-Dixie's quarry, its old plant, its headquarters.

Coplay sells $30 million worth of cement a year. Last year, it lost $950,000. The year before, it had an operating loss of $638,000. In 1980, it lost $2.1 million. Coplay was looking forward to another season of depressed building like a Wichita family looks forward to another tornado.

In 1982, the cement industry shipped less cement than it had in 20 years. The building of more houses, though, is having an electrifying effect. Coplay's sales in January soared 88 percent; it was up 45 percent in February and 8 percent in March. Still, cement prices are depressed. But Coplay hopes to come close to breaking even this year. "We've been through a very gloomy period," Mr. Uding said. "I think we're on an upswing."

Wood

These things were happening at 29 Cannonball Drive in early March. Winton Construction connected the underground plumbing to the sewer main. The carpenter, Bold Constructors, began framing the house. It also put in 10 white aluminum Rollyson windows and a Peachtree aluminum door. A brick facade was erected around the garage by Gerhard Hildebrandt. The Honeybon Door Company installed two gray garage doors.

The windows and doors were bought from the Graeber Lumber Company. The wood came from Dee Wood Industries in Linwood, N.J. Dee says it buys lumber wherever it can get a good deal, including from timber giants Weyerhaeuser and Georgia-Pacific.

Before it was the frame and floor of the house at 29 Cannonball Drive, the lumber and plywood sheathing was 80 Southern Pine trees growing tall in a Carolina forest. It's a reasonable bet that some of that wood was processed at Georgia-Pacific sawmills in places like Dudley, N.C., and Ahoskie, N.C.

David Mortensen oversees the southern division of Georgia-Pacific and works in Atlanta. He never heard of Cannonball Drive. But he knows that more houses are going up. "In October last year, we began to see a pickup in demand of lumber and plywood," he said. "We just had an excellent first quarter this year."

Georgia-Pacific had operating profits in its building products business of $434 million in 1978. Last year, its profits were $105 million.

Some facts about lumber, courtesy of the Forest Products Association: in the week ending March 20, 1982, 58 percent of the nation's sawmills were closed or working curtailed shifts, affecting 54 percent of the work force. In the week ending March 17, 1983, 29.7 percent of the sawmills were closed or on limited shifts, and 31 percent of the employees were affected. With plywood plants, 62 percent of all mills were below capacity in March 1982; now the number is 38 percent.

"We're seeing mills reopening and mills returning to a more normal workweek," said Alberto Goetzl, a forest economist. "Not to say that things are great. We're still seeing production well below capacity."

Insulation

One highly efficient man from Merit Construction, in early March, attached all 2,300 square feet of the pewter gray Alsco aluminum siding for the house at 29 Cannonball Drive. Merit also took care of the Celotex roof shingles.

The heating contractor, Will Rich Air Control, arrived to install heating ducts. Pineland Plumbing made an encore to do the interior rough plumb-

continued

ing. The Electrical Team Corporation threaded the electric wiring through the walls. Cary Insulation's crew arrived late in March to hang insulation made by the Owens-Corning Fiberglas Company of Toledo, Ohio.

"We used to be sold out back in the late 70's," said Thomas Lautenbach. Those were the bonanza days. "It's obviously been very soft the last few years. We were running our plants at 55 to 60 percent capacity."

Mr. Lautenbach is vice president of the insulation operating division of Owens-Corning, which makes more fiberglass insulation than anyone else but made no money last year. He explained the rule of thumb of insulation: When you see new building permits, you wait 90 to 120 days to see insulation sales. "So we have not yet seen significant impact because of the upturn in housing," he went on. "We expect to see it in the second quarter. We're looking for a 20 to 25 percent increase in shipments this year."

Good news for Owens is also happiness for those who mine sand, soda ash and limestone—the raw materials of fiberglass.

Sheetrock

Houses need walls, and during the last week of March, Miesniek & Stegers arrived at 29 Cannonball Drive. In seven working days, they hung 6,232 square feet of half-inch U.S. Gypsum Sheetrock. The Sheetrock was acquired from the Herculite Company in Farmingdale, N.J., which got it from U.S. Gypsum of Chicago.

Making wallboard, James Fountas explained, is sort of like making a big sandwich. Paper slices on the top and bottom, gypsum in between. Mr. Fountas, the works manager of the U.S. Gypsum Sheetrock plant in Stony Point, N.Y., gave a grin. His plant bespeaks prosperity. It was pumping out Sheetrock around the clock.

The plant stood along a wiggly, sloping road near the river, where mammoth ships lug gypsum rock down from Nova Scotia into the Stony Point dock and then into the plant. The upturn at Stony Brook has its own ripple effect. A key ingredient in wallboard is paper. Stony Point gets its paper from U.S. Gypsum paper mills in Camden and Clark, N.J. Production slowed at both last year. Camden slowed almost to dormancy. Now it's punching out paper five days a week.

U.S. Gypsum, which derives about half of its sales from wallboard, suffered a 41 percent drop in profits last year. The wallboard industry as a whole threw no parties, either. But U.S. Gypsum reports a 30 percent increase in gypsum board shipments in the first two months of the year. As home sales bounce back, remodeling can't be far behind.

"People tell me that there's a two-year lag," Mr. Fountas said. "Two years after somebody buys a home, he's socked away the money to do some remodeling or to finish a basement."

Appliances

More conveyances drove up to 29 Cannonball Drive. Shore Painting Company: three coats of off-white paint, consuming 72 gallons of MAB paint. Bold Constructors: deck. Howell Woodworking: bathroom ensembles. Hasco

continued

The Winners in Housing's Recovery

Below are 10 industries that benefit most from a strong housing market. The figures show sales by these industries directly to housing and the jobs required for that production level. The data assume 1.44 million new housing starts in 1983.

INDUSTRY	SALES IN BILLIONS	JOBS REQUIRED
Construction Wages, benefits, company profits, etc.	$38.07	1,176,600
Lumber Plywood, millwork, cabinets, etc.	12.01	130,400
Transportation and Trade Transport of materials from production points to stores or building sites	8.34	230,200
Stone, Clay, Glass Concrete, brick, cement, plate glass, etc.	6.22	73,300
Fabricated Metals Doors, doorframes, storm windows, siding, plumbing fixtures, etc.	4.89	56,500
Business Services Advertising, fees for lawyers, architects	4.13	75,000
Non-Electrical Equipment Furnaces, water heaters, gas stoves, etc.	1.18	11,800
Primary Metals Steel, copper, aluminum, lead, etc.	1.07	6,500
Electrical Machinery Washers, dryers, kitchen appliances, lighting fixtures, etc.	1.01	12,300
Plastic Products Pipe, cable, moldings, siding, etc.	0.86	9,200

Source: Interindustry Forecasting Project, University of Maryland

Industries: shower enclosures and closet doors.

Jocama Construction put down a concrete walkway from the driveway to the stoop. Curb Line Construction did the front sidewalk. Toms River Asphalt poured the driveway.

Into the basement went a G.E. gas furnace and a Mor-Flo hot water heater. P&M Aluminum scrubbed the windows, polished the counters, put lemon oil on the cabinets.

It was time now, in the second week of April, for Complete Contracting to uncrate a Whirlpool refrigerator, a Roper dishwasher and a Roper double-oven gas range and hood. After hours of debate, the Federovitches had picked the color—almond.

If you sell stoves and dishwashers, you look at the sale of a new home as two-and-a-half appliances. That's, on average, how many major appliances go into a house. If the new homebuyer sold his home to someone else, that buyer might decide it's time for a new refrigerator or washing machine. The chain goes on and on. Appliance makers haven't basked in a year of strong sales gains since 1978. But the Association of Home Appliance Manufacturers reported that, during the first two months of 1983, refrigerator shipments rose 16 percent, ranges were ahead 27 percent, dishwashers increased 25 percent.

Art Studt, marketing director for the Roper Corporation's appliance sales division in Kankakee, Ill., would be happy to know that he landed two out of three appliances in the kitchen at 29 Cannonball Drive. "It's been way down," he said of appliance sales for new homes. "Simple as that. We look for it to increase steadily in 1983. It's not going to be booming, but better. We look for a 6 to 10 percent increase this year and the same next year. This will be the first up year since 1979. We're just starting to notice some impact. Our product trails housing by about three or four months."

Carpeting

Now that all those workmen with dirty shoes were done tramping through the house, Statewide Floorcover could put down 232 feet of Armstrong vinyl floor in the kitchen and 113.7 square yards of Armstrong carpeting in the rest of the rooms. The Federovitches picked the shades, using democracy. The daughters chose blue suede for their bedroom, the sons picked rust. The rest of the house would be wheat.

Need a carpet? Come to Dalton, Ga. Within a 50-mile radius of Dalton are some 200 carpet mills; out of them flow some 60 percent of the country's carpeting, including yardage from the Armstrong plant that now snuggles the Federovitches' floors.

A.G. Matamoros, Armstrong's chief economist, mused about floor coverings: "1978 was the last really big year for carpet and floors. But our carpet operations down South have been accelerated significantly in the last month or so. Some plants are open six days, three shifts. Still, we have plenty of people on layoff. To get them back, we have to get people to dig into their money market deposits and start replacing floor. And if interest rates go up again, then you can forget it."

The way things go in floors, Mr. Matamoros explained, first the demand for new floors picks up, then the replacement market. Some 20 percent of Armstrong's volume is new homes; 60 percent is replacement flooring. "We're seeing just the first glimmer of demand in the replacement market," he said, "I'm waiting."

And more work

Will the work ever end? It seemed not. Complete Contracting had to appear to haul off all the debris. P&M Aluminum had to vacuum the new rugs and tidy up some more. Fenwick Enterprises, which did the excavation when the house was not a house, did the final grading of the lawn and spread topsoil.

By this time, 151 people had appeared at the house at 29 Cannonball Drive to perform one task or another. Some 250 pounds of nails had been pounded into it. And that would do it. In 12 weeks from that blustery January beginning, a house had been built.

At 1 o'clock this Friday, the closing is set at the Freehold office of Tim Provost, who will be a happy host. He's a local real estate lawyer who U.S. Homes hires to handle its Glen Arden closings. Another beaming person will be Nick Dellaguardia, the salesman who sold the house, who would now pocket his commission.

U.S. Homes provided a 10-year warranty, obtained through Northwestern Mutual, as well as a one-year homeowners policy through State Farm. The builder set up the mortgage through Larson Mortgage and also took care of title insurance, in this case with the local office of the Stewart Information Services Corporation of Houston, Tex.

continued

The Ripple Effects of Housing

The impact of housing on the economy goes far beyond those industries selling directly to home builders. In fact, certain industries—like food and tobacco—have only modest direct sales to housing, but benefit greatly when other industries, stirred by housing activity, buy from them.

The broad economic stimulus from housing can be assessed by a technique known as input-output analysis and illustrated below. The figures, provided by the University of Maryland's Interindustry Forecasting Project, show how housing, through a multiplier effect, spawns sales and jobs many times greater than the level of direct sales and jobs. For example, while food and tobacco's sales to the housing industry are very small, its sales multiplier is over 500.

If the anticipated 1.44 million housing starts take place this year, here's how U.S. industry and workers would benefit:

	MULTIPLIER (SALES)	TOTAL SALES (DIRECT AND INDIRECT IN BILLIONS)	MULTIPLIER (JOBS)	TOTAL JOBS (DIRECT AND INDIRECT)
Food and Tobacco	52.2	$0.76	37.0	3,700
Utilities	19.9	2.42	21.8	8,700
Motor Vehicles	18.8	0.36	19.0	1,900
Agriculture	11.9	2.97	11.8	42,500
Real Estate	4.9	2.31	4.9	14,300
Paper	4.8	1.50	4.7	11,900
Copper	4.0	0.62	3.9	3,500
Petroleum Refining	4.0	4.31	4.0	2,800
Trucking	2.5	2.52	2.5	39,300
Rubber Goods	2.4	0.33	2.4	3,600
Wholesale Trade	1.9	5.42	1.9	167,400
Apparel, Shoes Textiles	1.8	1.43	1.9	15,300
Business Services	1.8	7.58	1.8	137,900
Plastic Goods	1.8	1.57	1.8	16,900
Textiles, except knits	1.7	1.32	1.7	13,500
Lumber	1.3	15.03	1.3	163,200
Household Appliances	1.2	0.29	1.2	3,000
Stone, Clay, Glass	1.2	7.45	1.2	87,800
Construction	1.0	38.61	1.0	1,193,000

The move

Barring some unforseen calamity, on Saturday morning Sue and Stan Federovitch will move out of Mrs. Federovitch's mother's house in Kenilworth, N.J., where the family has been encamped for several crowded weeks, and drive in a rented truck with their life's belongings and move into their new house.

Stan Federovitch, talking about the house, says: "It means that I'm finally getting my kids into a house that they deserve. It means getting my wife into a house that she deserves. And it means a nightmare for me to try to make the mortgage payments."

"It sounds corny," his wife says, "but it's like a dream come true."

They are far from done injecting their stimulus into the nation's economy. Once they get settled, they'll be in the market for draperies and curtains, a washer and drier, bedroom furniture for their daughters, a lawnmower, a hose, a ladder, a wood-burning stove, a living room couch, a sprinkler, flowers and who knows what else. "You can't believe how many things you need," Mrs. Federovitch says.

After the furniture is hauled in, Sue Federovitch intends to plant a Japanese Cherry Blossom tree on the front lawn. The Federovitches, during their flurry of visits to Cannonball Drive, have already befriended Kathy and Bill Baudreau, who live down the block. Stan Federovitch is quite proud of his ability to cook chili. On the first evening, therefore, the Baudreaus are invited over for a celebratory chili dinner. Everyone will drink a toast of champagne to the Federovitches and their new home. □

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MORTGAGE MARKET TRENDS

Prepared by MBA's Economics Department

August 10, 1983

The just-released MBA annual *Financial Statements and Operating Ratios* report shows that mortgage bankers enjoyed one of the most profitable years on record in 1982. Most financial measures posted dramatic improvements from the recession-prone years of 1980 and 1981, and they even moved well ahead of their values of 1979, still the record high year for mortgage originations. This success in financial performance is especially welcome because mortgage banker origination volume declined in 1982, as revealed by the latest revisions of industry data. Although interest rates remained high by historical standards throughout 1982, mortgage bankers were able to adjust to the difficult market.

Return on equity for the average firm increased from 10.57 percent in 1980 and 1981 to 19.12 percent in 1982. This 80 percent increase was due primarily to a 115 percent increase in average firm net income, from $562,000 to $1,207,000. The dominant factor in this healthy development was the increase in net interest income. Average firm net interest income jumped 91 percent, from $531,000 in 1981 to $1,011,000 in 1982. The result of this dramatic improvement in net income for 1982 is reflected most clearly in the increase in the profit margin for the average mortgage banking firm from 5.8 percent to 10.2 percent. This upturn of more than 75 percent in profit margin is most welcome, after the same measure remained unchanged in 1981.

There was a small drop in asset turnover in 1982. The reason was that total income increased 22 percent while average assets increased 23.5 percent. Return on assets was up sharply, from 1.46 percent in 1981 to 2.45 percent in 1982. This gain of 74 percent was due to the huge improvement in net income, which outdistanced the growth in average assets. The leverage factor registered a small increase, as mortgage banking firms aggressively expanded their asset base by much more than the increase in equity.

Mortgage bankers' income property volume also fared well in 1982. For the average firm the value of income property originations rose 7 percent to $22.2 million. The average number of transactions declined from 12 to 9 per firm, indicating that the average loan closed by mortgage bankers in the income property market in 1982 was 43 percent larger in dollar value than in 1981. The same trend was observed in 1981.

Although the average mortgage banking company originated and serviced more loans in 1982 than in 1981, productivity, or volume per employee, remained relatively stable. The number of loans closed per origination employee was unchanged at 33, while dollar value of the loans closed per origination employee increased 7.5 percent to $2.3 million in 1982. The results were similar for loan servicing operations in the average mortgage company. The number of loans serviced per servicing employee decreased 5 percent to 546 in 1982. Dollar value of loans serviced per employee remained stable at $20.7 million.

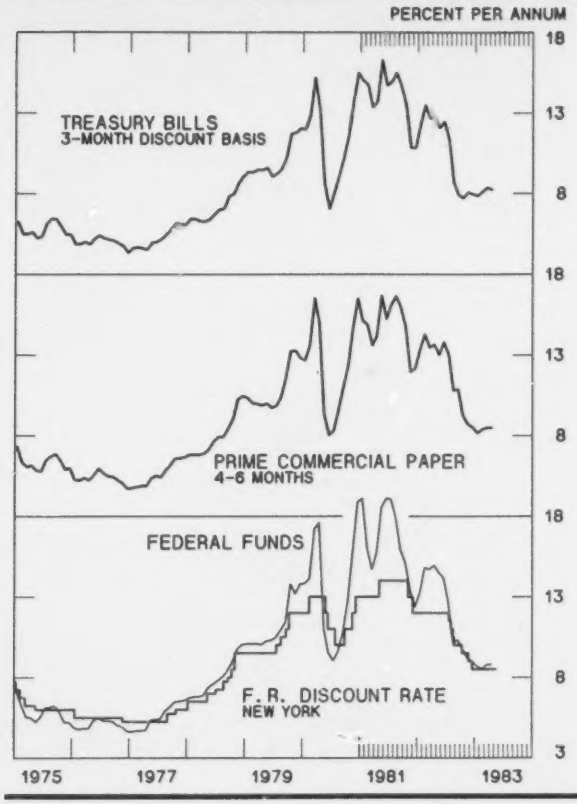
As deregulation of financial institutions continues during the 1980s, mortgage banking will become increasingly important in the real estate finance markets. The availability of a sheltered, low cost pool of money available in depository institutions for mortgage lending has ended. The result has been a dramatic increase in mortgage banking, both by the growth of traditional mortgage companies and by the reorientation of traditional portfolio lenders. This growth is best illustrated by the recent rapid growth in the secondary mortgage market. In addition, non-financial corporations are entering mortgage banking, both through acquisition and the formation of new enterprises. Mortgage backed securities have revolutionized residential mortgage finance since 1970, and the trend will continue this decade in the conventional residential market and possibly the income property area as well.

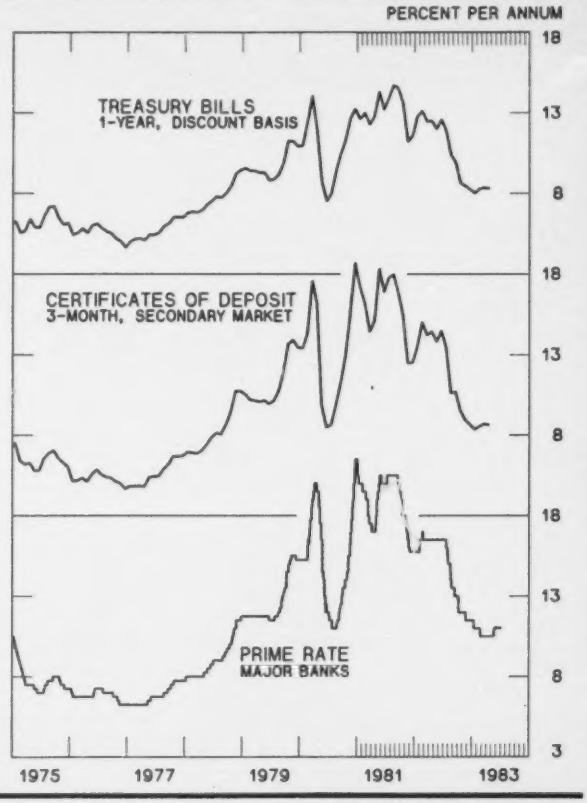
Although it is difficult to forecast details of the changes facing the industry in the years ahead, we are confident that mortgage bankers will effectively cope with and respond to whatever challenges and opportunities arise. Mortgage bankers have always used their entrepreneurial spirit to adjust quickly to market changes, and we expect this trend to continue.

Dr. Warren Matthews
Senior Economist

SHORT-TERM INTEREST RATES

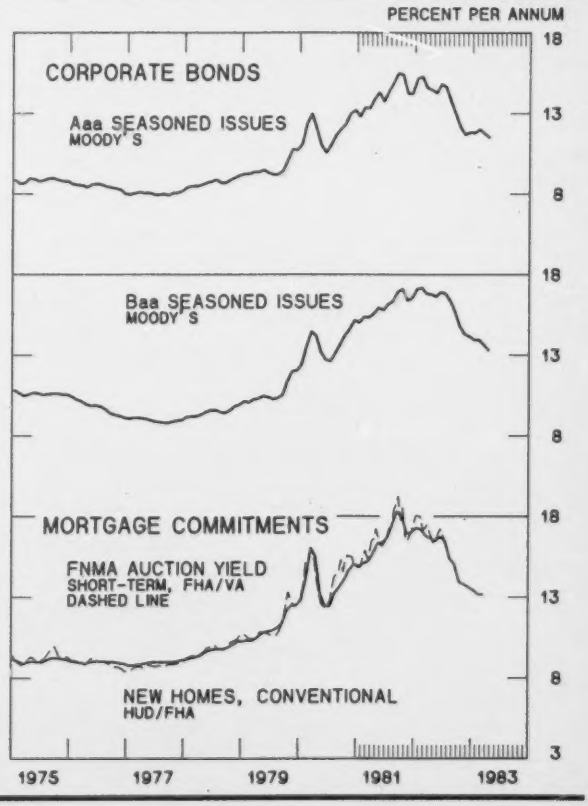
MONTHLY AVERAGES OF DAILY FIGURES





LONG-TERM INTEREST RATES

MONTHLY AVERAGES



Source: Federal Reserve Board

MORTGAGE MARKET TRENDS—SEPTEMBER 1983

RESIDENTIAL STRUCTURES, BY UNIT TYPE

(Units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES: Actual			PERMITS 16,000 ISSUING PLACES: Seasonally Adjusted Annual Rate			HOUSING STARTS: Actual			HOUSING STARTS: Seasonally Adjusted Annual Rate		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1982												
MAR	79	51	28	851	541	310	79	59	20	920	675	245
APR	83	53	29	879	526	353	85	62	23	911	648	263
MAY	81	53	28	944	590	354	99	67	32	1,028	707	321
JUN	89	59	30	929	607	322	91	71	20	910	703	207
JUL	91	53	37	1,062	585	477	107	70	37	1,185	721	464
AUG	80	54	26	888	580	308	96	70	26	1,046	738	308
SEP	100	61	39	1,003	657	346	105	71	34	1,134	773	361
OCT	100	63	37	1,172	737	435	111	73	38	1,142	782	360
NOV	100	64	36	1,284	843	441	109	73	36	1,361	947	414
DEC	76	50	26	1,168	810	358	83	57	26	1,280	921	359
1983												
JAN	85	56	29	1,447	1,996	461	92	64	29	1,707	1,239	468
FEB	93	56	36	1,479	949	530	96	66	30	1,784	1,220	564
MAR	135	91	44	1,467	985	482	135	95	40	1,605	1,108	497
APR	138	93	45	1,536	982	554	136	103	33	1,506	1,118	388
MAY	149	104	45	1,635	1,076	559	174	125	49	1,799	1,285	514
JUN	169p	113p	56p	1,745p	1,146p	599p	174p	124p	50p	1,747p	1,237p	510p
6 months												
1983	769	513	255				807	577	231			
1982	430	277	153				453	330	124			
1981	550	380	170				600	450	150			
1980	488	341	147				542	398	144			

VALUE OF NEW CONSTRUCTION PUT IN PLACE

(Dollars in millions)

Year and Month	Seasonally Adjusted Annual Rate: Total	1 Unit	2+ Units	Non-Res.
1982				
MAR	115,571	33,188	17,199	65,184
APR	113,833	33,429	15,280	65,124
MAY	114,597	33,864	16,261	64,472
JUN	116,619	34,398	14,950	67,271
JUL	116,632	35,270	16,085	65,277
AUG	117,960	35,852	16,774	65,334
SEP	118,274	36,309	16,728	65,237
OCT	118,591	36,895	16,720	64,976
NOV	121,864	38,868	16,902	66,094
DEC	122,957	41,495	17,113	64,349
1983				
JAN	128,757	45,650	17,775	65,332
FEB	131,430	49,869	18,907	62,654
MAR	133,662	53,374	18,958	61,330
APR	134,876	57,134	20,130	57,612
MAY	139,833	61,958	20,300	57,575
JUN	146,416p	65,500p	21,079p	59,837p

HOUSE SALES

(Units in thousands)

Year and Month	EXISTING HOUSES[1]	NEW HOUSES: Sold	Available For Sale	Months Supply at Current Rate
1982				
MAR	181	35	268	8.6
APR	174	33	263	9.3
MAY	169	37	259	8.2
JUN	192	34	253	8.3
JUL	183	31	251	8.5
AUG	186	34	247	7.5
SEP	168	40	248	6.9
OCT	173	41	245	6.1
NOV	167	39	250	5.5
DEC	148	33*	255	5.8
1983				
JAN	155	44	256	5.2
FEB	163	46	253	5.4
MAR	237	57	259	5.2
APR	236	59	266	5.1
MAY	259	63	277	5.1
JUN	284p	56p	288p	5.7
6 months				
1983	1,334	325		
1982	937	193		
1981	1,268	249		
1980	1,348	257		

RESIDENTIAL STRUCTURES, BY REGION

(units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES: Actual				Seasonally Adjusted Annual Rate				STARTS: Actual				Seasonally Adjusted Annual Rate			
	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West
1982																
FEB	4	3	33	11	86	76	473	160	3	2	36	10	122	84	555	150
MAR	8	8	47	16	88	87	490	186	7	7	49	16	112	100	521	187
APR	9	10	46	17	97	105	506	171	9	14	47	15	104	157	484	166
MAY	10	13	41	17	110	145	488	201	12	16	54	18	117	144	578	189
JUN	10	12	46	20	105	118	499	207	10	18	44	19	98	157	462	193
JUL	9	12	45	24	101	140	555	266	11	15	62	18	104	159	725	197
AUG	13	10	42	17	113	106	485	184	12	16	49	16	119	164	567	196
SEP	12	15	51	21	114	131	530	228	16	15	54	20	138	141	629	226
OCT	13	14	51	22	135	139	635	263	10	20	58	23	108	156	628	250
NOV	14	13	56	17	127	131	649	285	14	15	63	17	160	183	773	245
DEC	8	7	41	21	112	148	738	307	8	7	47	21	122	155	714	289
1983																
JAN	6	6	52	21	152	188	764	343	5	6	63	18	164	231	992	307
FEB	8	6	57	22	185	163	794	337	7	8	58	24	270	263	900	351
MAR	11	14	82	28	136	173	835	323	13	13	80	29	210	196	855	344
APR	14	16	74	34	165	172	832	367	14	18	75	30	175	192	804	335
MAY	15	20	77	38	148	194	885	408	17	25	94	39	161	225	1,018	395
JUN	18p	21p	86p	44p	182p	196p	928p	439p	18p	25p	90p	41p	183p	216p	942p	406p
6 months																
1983	72	83	428	187					74	95	460	181				
1982	45	49	245	91					45	59	262	88				
1981	55	72	275	148					49	85	330	134				
1980	50	69	241	138					50	76	281	135				

CONSTRUCTION STATUS

(units in thousands)

Year and Month	UNDER CONSTRUCTION: Total	1-4 Units	5+ Units	COMPLETIONS: Total	1-4 Units	5+ Units
1982						
FEB	644	407	237	63	41	22
MAR	646	412	234	73	50	23
APR	653	419	234	75	53	22
MAY	666	425	241	86	61	25
JUN	671	438	232	85	76	28
JUL	690	442	248	85	64	21
AUG	690	442	248	91	66	25
SEP	713	450	263	84	63	21
OCT	717	448	269	102	71	30
NOV	732	453	279	94	68	26
DEC	718	439	279	96	68	28
1983						
JAN	728	442	286	81	60	21
FEB	747	456	291	78	53	25
MAR	835	517	318	91	69	22
APR	832	516	316	90	69	21
MAY	900	564	336	106	75	31
JUN	952p	599p	353p	122p	92p	30p
6 months						
1983				568	418	150
1982				452	308	144
1981				616	457	159
1980				768	544	228

INTEREST RATES AND YIELDS

Year and Month	1-4 UNIT MORTGAGES: FHA Opinion Survey: FHA New[1]	Conventional: New	Conventional: Existing	FHLBB Survey: Conventional: New	Conventional: Existing	APARTMENTS[3]	CONSTRUCTION LOANS[3] ALL TYPES	FNMA Mandatory Delivery Yields: ARM (Plan 6)	FNMA Mandatory Delivery Yields: Conv	GNMA Current Securities Yield[4]	SELECTED SECURITIES: Aaa Utility New Issue	U.S. Gov't. 10-yr	U.S. Gov't. 26-wk	Prime Commercial Paper 90-119 Days	SPREADS (Basis Points): FHA New Minus Aaa Utility	GNMA minus 10-yr Gov't.
1982																
MAR	16.41	19716.80		16.85	15.67	15.65	16.88			16.750	15.83	15.26	13.86	12.621	13.80	115
APR	16.31	16.65	16.75	15.84	16.00	16.88			16.125	15.56	15.83	13.87	12.861	14.06	48	169
MAY	16.19	16.50	16.55	15.89	16.11	16.88	17.80		16.000	15.26	15.22	13.62	12.220	13.42	97	164
JUN	16.73	16.75	16.80	15.40	15.56	17.62			16.375	15.89	15.92	14.30	12.310	13.96	81	159
JUL	16.29	16.50	16.55	15.70	15.52	17.13			16.125	15.54	15.61	13.95	12.236	12.94	68	159
AUG	14.61	15.40	15.45	15.71	15.63	15.62	17.19		15.500	14.31	13.95	13.06	10.105	10.15	66	125
SEP	14.03	15.05	15.05	14.99	15.30	15.37			14.750	13.51	13.50	12.34	9.539	10.36	53	117
OCT	12.99	13.95	13.95	14.41	14.95	14.13		13.097	14.000	12.86	12.20	10.91	8.299	9.20	79	195
NOV	12.82	13.80	13.80	13.81	14.29	13.88	15.14	12.605	13.375	11.85	11.76	10.55	8.319	8.69	106	130
DEC	12.80	13.62	13.64	13.70	13.95	13.37		12.346	13.000	12.00	11.84	10.54	8.225	8.51	96	146
1983																
JAN	12.87	13.44	13.45	13.49	13.54	13.88		12.097	13.000	11.89	12.05	10.46	7.898	8.17	82	143
FEB	12.65	13.18	13.19	13.16	13.40	13.75		12.376	12.875	12.20	12.08	10.72	8.233	8.34	110	148
MAR	12.68	13.17	12.85	13.51	13.04	13.63	12.56	11.916	12.920	11.82	11.70	10.51	8.325	8.52	98	131
APR	12.50	13.02	13.07	12.42	12.88	13.50		11.955	12.775	11.78	11.41	10.40	8.343	8.53	109	138
MAY	12.41	13.09	13.09	12.67	12.82	13.63	11.72	11.470	12.583	11.54	11.32	10.38	8.20	8.33	109	116
JUN	12.96	13.37	13.38	12.41	12.70	14.00		12.480	13.163	12.03	11.87	10.85	8.89	9.00	109	118

LONG—TERM MORTGAGE LOANS CLOSED

(Dollars in Millions)

Year and Month	BY TYPE OF INSTITUTION					BY TYPE OF UNIT, AND INSTITUTION														
						1-4 Units					5+ Units					Nonresidental				
	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.
1982																				
JAN	7,691	2,030	2,410	2,471	780	4,991	1,560	1,975	1,440	16	452	90	168	168	26	2,388	520	267	863	738
FEB	8,302	2,140	2,600	2,966	596	5,519	1,760	2,097	1,620	42	598	120	246	178	54	2,215	290	257	1,168	500
MAR	10,600	3,180	3,160	3,465	795	6,957	2,420	2,626	1,872	39	477	90	207	129	51	3,096	600	327	1,464	705
APR	9,755	2,900	3,100	3,071	684	6,721	2,420	2,582	1,674	45	469	50	177	172	70	2,535	400	341	1,225	569
MAY	9,689	3,080	3,193	2,899	517	6,626	2,450	2,541	1,597	36	479	190	163	111	15	2,614	470	489	1,191	464
JUN	11,792	3,440	4,041	3,826	485	8,153	2,850	3,258	1,995	50	687	180	271	223	13	2,932	390	512	1,608	422
JUL	10,874	2,940	3,427	3,661	846	7,361	2,330	2,922	2,049	60	501	70	206	177	48	2,862	390	299	1,435	738
AUG	10,108	2,710	3,601	3,251	546	7,412	2,500	2,909	1,958	45	543	40	280	210	13	2,423	440	412	1,083	488
SEP	10,807	2,620	3,858	3,855	474	7,911	2,460	3,130	2,276	45	563	20	295	226	22	2,393	200	433	1,353	407
OCT	10,954	3,080	3,529	3,764	581	7,637	2,480	2,817	2,296	44	781	340	216	210	15	2,646	370	496	1,258	522
NOV	13,450	4,460	4,026	4,458	506	10,067	3,930	3,148	2,935	54	702	220	337	107	38	2,751	380	541	1,416	414
DEC	19,578	5,850	6,443	5,724	1,561	13,941	5,390	4,778	3,705	68	1,025	50	605	297	73	4,482	280	1,060	1,722	1,420
1983																				
JAN	16,530	6,400	4,755	4,595	780	12,137	5,840	3,621	2,628	48	1,066	250	529	246	41	3,426	410	605	1,721	691
FEB	18,116	6,960	5,090	5,197	869	13,850	6,820	3,946	3,041	43	958	90	383	407	78	3,748	490	761	1,749	748
MAR	23,138	8,590	7,577	5,955	1,016	17,149	7,160	5,877	4,054	58	1,061	70	677	233	81	4,498	930	1,023	1,668	877
APR	20,121p	6,520p	7,942	4,903	756	14,993p	5,640p	6,292	3,005	56	1,199p	270p	656	223	50	3,925p	610p	990	1,675	650
MAY	na	na	8,348	6,427	819	na	na	6,903	3,409	57	na	na	549	411	58	na	na	896	2,607	704

LONG-TERM COMMITMENT ACTIVITY

(Dollars in Millions)

Year and Month	OUTSTANDING					ISSUED DURING MONTH				
	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.
1981										
DEC	44,917	7,440	16,887	9,130	11,460	7,183	3,150	2,823	940	300
1982										
JAN	44,598	8,070	16,653	9,025	10,850	7,237	2,940	2,261	1,743	293
FEB	43,552	7,740	16,529	8,794	10,489	7,480	3,080	2,844	1,131	425
MAR	46,125	8,910	16,664	9,630	10,921	10,005	4,130	3,347	1,564	964
APR	48,376	9,090	17,186	11,381	10,719	10,329	4,650	3,390	1,579	710
MAY	49,695	9,390	17,362	12,345	10,598	9,690	4,180	3,350	1,627	533
JUN	49,270	9,240	17,327	12,543	10,160	8,765	3,220	3,597	1,648	300
JUL	49,726	9,610	16,951	13,436	9,729	9,171	3,410	3,537	1,679	545
AUG	50,855	10,410	17,748	13,192	9,505	9,646	3,750	3,847	1,615	434
SEP	51,994	11,350	18,241	13,108	9,295	11,139	5,290	3,888	1,466	495
OCT	54,730	13,610	19,328	12,512	9,280	13,394	7,040	4,024	1,620	710
NOV	60,452	16,540	20,785	13,457	9,670	16,226	8,060	5,017	1,819	1,330
DEC	65,375	19,940	21,548	14,267	9,620	17,913	7,780	6,082	1,991	1,304
1983										
JAN	66,607	20,160	22,945	13,802	9,700	15,343	6,660	5,555	1,928	1,200
FEB	74,301	24,060	25,677	14,847	9,717	17,367	6,950	7,271	2,076	1,070
MAR	80,178	26,500	28,846	14,982	9,850	23,050	8,410	10,291	3,051	1,298
APR	100,473p	44,300p	31,850	13,993	10,330	22,894p	8,340p	9,730	3,230	1,594
MAY	na	na	33,906	15,767	10,531	na	na	10,622	3,667	1,305

MORTGAGE INSURANCE

(Units in thousands, dollars in millions)

Year and Month	APPLICATIONS RECEIVED UNITS			INSURED							
		FHA/		Total		FHA (203)		VA		Private	
	Total	VA	Private	Units	Amt.	Units	Amt.	Units	Amt.	Units	Amt.
1981											
DEC	62	38	24	38	1,957	8	311	6	357	24	1,289
1982											
JAN	48	31	17	31	1,726	7	270	6	327	18	1,129
FEB	54	32	22	32	1,785	8	356	7	393	17	1,036
MAR	69	37	32	39	2,193	9	373	7	421	23	1,399
APR	63	34	29	35	1,976	8	322	6	374	21	1,280
MAY	67	31	36	43	2,222	8	335	6	328	29	1,559
JUN	83	40	43	50	2,743	9	408	8	443	33	1,892
JUL	84	38	46	52	2,687	9	375	9	482	34	1,830
AUG	82	36	46	54	2,997	8	352	10	573	36	2,072
SEP	91	47	44	60	3,248	11	462	13	743	36	2,043
OCT	103	59	44	52	2,826	10	425	6	385	36	2,016
NOV	104	60	44	53	2,920	11	498	8	455	34	1,967
DEC	175	125	50	63	3,471	16	703	9	564	38	2,204
1983											
JAN	137	98	39	54	3,201	14	637	10	630	30	1,934
FEB	138	96	42	62	3,607	17	795	15	961	30	1,851
MAR	176	113	63	87	5,003	31	1,508	20	1,243	36	2,252
APR	180	117	63	96	5,483	39	1,867	19	1,190	38	2,426
MAY	165	91	74	101	5,959	24	1,152	30	1,911	47	2,896

SECONDARY MARKET ACTIVITY

(Dollars in Millions)

Year and Month	FNMA				FHLMC				GNMA	
	Portfolio		Mortgage Backed Securities		Comm. to Sell	Comm. to Buy	Mtg. Purc.	Sold	Pass-Through Securities	
	Comm.	Purc.	Comm.	Issued					Applications	Issued
1981										
OCT	533	1,000			245	1,834	290	244	571	739
NOV	560	594			598	2,011	416	598	1,298	795
DEC	1,272	655			1,156	203	1,140	1,156	1,729	1,304
1982										
JAN	813	430	112	322	3,276	3,280	1,629	1,628	1,543	902
FEB	1,204	519	2,287	682	566	565	1,228	1,115	1,789	960
MAR	1,880	604	224	1,071	2,607	2,523	1,481	1,564	2,223	1,335
APR	2,482	755	428	662	2,726	2,824	2,144	2,176	1,219	835
MAY	1,550	1,006	467	802	1,699	2,692	1,214	1,194	1,812	1,194
JUN	1,582	1,223	2,696	337	3,207	3,166	1,581	1,564	2,800	1,530
JUL	2,016	1,354	670	1,858	2,201	2,181	2,236	2,205	2,116	1,011
AUG	1,820	1,931	1,694	789	2,906	2,768	2,529	2,618	2,850	1,383
SEP	1,482	1,670	1,503	1,008	2,980	2,892	1,798	1,924	16,429	1,521
OCT	1,426	1,449	1,741	2,167	2,467	2,506	2,000	2,200	1,297	1,441
NOV	2,795	1,681	2,281	1,838	1,818	1,714	1,917	2,177	1,692	1,564
DEC	3,055	2,495	1,415	2,436	897	1,068	3,916	3,804	3,093	2,330
1983										
JAN	2,006	2,045	1,409	1,082	2,004	2,059	1,479	1,641	4,593	2,657
FEB	784	1,594	1,496	1,213	847	868	1,688	1,756	4,316	3,573
MAR	1,184	1,433	2,237	1,684	1,410	1,438	2,849	2,469	9,487	5,292
APR	1,023	1,004	1,055	1,152	2,149	3,079	1,807	1,525	6,423	4,359
MAY	1,534	1,579	1,251	1,160	2,881	2,334	2,439	1,408	6,687	4,654

MORTGAGE BANKERS CONSTRUCTION AND LAND LOAN ACTIVITY

(Dollars in Millions)

Year and Month	DISBURSEMENTS DURING MONTH					OUTSTANDING COMMITMENTS TO BORROWERS			
	Construction				Land Loans				
	Total	1-4 Units	5[a] Units	Non-1 res.		Total	1-4 Units	5[a] Units	Non-res.
1981									
OCT	280	70	40	170	40	7,030	920	1,330	4,780
NOV	190	70	40	80	40	6,120	750	1,770	3,600
DEC	180	70	40	70	70	7,480	770	2,910	3,800
1982									
JAN	130	30	30	70	30	8,070	650	3,630	3,800
FEB	170	50	40	80	60	7,530	540	3,340	3,650
MAR	130	70	10	50	40	6,420	630	2,000	3,790
APR	360	70	80	210	60	7,820	560	2,330	4,930
MAY	130	50	30	50	40	8,150	660	3,230	4,620
JUN	180	60	40	80	70	7,660	590	2,250	4,820
JUL	160	50	30	80	40	8,900	580	2,250	6,070
AUG	150	60	20	70	50	4,420	690	1,570	2,160
SEP	170	70	30	70	30	6,180	980	2,730	2,470
OCT	170	90	30	50	30	5,540	480	2,340	2,720
NOV	180	110	20	50	20	5,370	590	2,170	2,610
DEC	230	100	40	90	50	5,680	880	1,940	2,860
1983									
JAN	150	80	30	40	60	7,160	800	3,720	2,640
FEB	220	90	40	90	50	9,470	980	4,450	4,040
MAR	230	110	20	100	40	14,050	1,570	9,320	3,160
APR	180p	70p	10p	100p	50p	25,050p	1,380p	20,750p	2,920p
MAY	na	na	na	na	na	na	na	na	na

n.a.—Not available; p—Preliminary

[1]From the National Association of Realtors' "Existing Home Sales" series.

[2]Reflects cumulative total through the latest month for each column.

[3]Secondary market gross yields.

[4]Federal Home Loan Mortgage Corp. Existing construction only.

[5]Federal Reserve's weighted average interest rate for Commercial Banks.

[6]Weighted average gross yields for accepted bids.

[7]Survey of three New York security dealers. Securities for immediate delivery.

[8]Mutual Savings Banks and Commercial Banks.

Sources: American Council of Life Insurance, Board of Governors of the Federal Reserve System, Bureau of the Census, Citicorp Real Estate Inc., Department of Housing and Urban Development, Federal Home Loan Bank Board, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Mortgage Bankers Association of America, National Association of Mutual Savings Banks, National Association of Realtors, Veterans Administration.

MORTGAGE BANKING ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED[1]

Year and Month	SEASONALLY ADJUSTED				NOT SEASONALLY ADJUSTED								
						1-4 Units				5+ Units			
	Total[2]	1-4 Units	5+ Units	Non-Res.	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-[3] Res.
1981													
JUL	3,130	2,430	110	490	3,290	2,690	760	600	1,330	120	110	10	490
AUG	2,900	2,360	340	480	3,360	2,700	790	630	1,280	330	20	310	330
SEP	2,250	1,900	30	380	2,610	2,180	530	420	1,230	50	40	10	380
OCT	2,110	1,550	270	420	2,440	1,870	480	350	1,040	170	0	170	400
NOV	1,890	1,520	40	330	1,820	1,430	400	290	740	40	10	30	350
DEC	2,290	1,660	170	280	2,530	1,800	600	390	810	190	0	190	540
1982													
JAN	2,030	1,560	90	520	1,830	1,390	410	340	640	100	60	40	340
FEB	2,140	1,760	120	290	1,820	1,380	470	280	630	120	90	30	320
MAR	3,180	2,420	90	600	2,790	2,110	600	340	1,170	80	60	20	600
APR	2,900	2,420	50	400	2,570	2,100	570	350	1,180	50	30	20	420
MAY	3,080	2,450	190	470	2,740	2,240	670	410	1,160	110	70	40	390
JUN	3,440	2,850	180	390	3,420	2,920	850	550	1,520	180	170	10	320
JUL	2,940	2,330	70	390	3,020	2,630	780	510	1,340	70	70	0	320
AUG	2,710	2,500	40	440	3,250	2,860	920	580	1,360	40	20	20	350
SEP	2,620	2,460	20	200	3,050	2,820	890	680	1,250	30	20	10	200
OCT	3,080	2,480	340	370	3,560	3,000	1,060	740	1,200	210	120	90	350
NOV	4,460	3,930	220	380	4,290	3,670	1,540	950	1,180	220	200	20	400
DEC	5,850	5,390	50	280	6,470	5,860	2,210	1,540	2,110	60	0	60	540
1983													
JAN	6,400	5,840	250	410	5,760	5,210	2,450	1,450	1,310	280	40	240	270
FEB	6,960	6,820	90	490	5,930	5,380	2,260	1,430	1,690	70	0	70	480
MAR	8,590	7,160	70	930	8,030	6,670	2,730	1,990	1,950	70	50	20	1,290
APRp	6,560	5,640	270	610	5,800	4,810	1,840	1,270	1,700	340	0	340	650

COMMITMENT ACTIVITY: LONG-TERM MORTGAGE LOANS

Year and Month	COMMITMENTS DURING MONTH								OUTSTANDING COMMITMENTS END OF MONTH					
	To Borrowers				From Investors				To Borrowers			From Investors		
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
1981														
JUL	2,990	2,630	40	320	4,590	3,730	50	810	7,170	570	640	7,180	980	1,220
AUG	3,510	2,680	10	820	2,880	2,050	30	800	7,270	610	780	7,110	1,130	1,430
SEP	1,820	1,610	90	120	2,330	1,530	120	680	5,260	470	810	5,690	870	1,520
OCT	2,340	1,770	170	400	2,560	1,850	200	510	5,190	280	840	5,280	510	1,130
NOV	1,920	1,320	180	420	4,250	1,490	190	2,570	3,720	390	640	4,170	610	1,150
DEC	3,150	2,370	170	610	2,470	2,020	160	290	5,890	950	600	4,780	1,240	710
1982														
JAN	2,940	2,290	240	410	3,290	2,430	140	720	6,370	1,000	690	5,380	1,260	880
FEB	3,080	2,210	90	780	3,620	2,470	60	1,090	6,220	810	710	4,550	1,130	930
MAR	4,130	3,010	120	1,000	2,850	2,560	140	150	7,730	480	700	5,610	710	930
APR	4,650	2,250	350	2,050	5,760	3,090	390	2,280	7,350	550	1,190	6,520	650	1,170
MAY	4,180	2,560	340	1,280	4,270	2,630	380	1,260	7,970	640	780	6,730	1,180	890
JUN	3,220	2,640	180	400	3,450	2,670	120	660	7,930	550	760	7,240	880	900
JUL	3,410	2,550	80	780	4,890	3,700	120	1,070	7,950	590	1,070	7,830	840	1,240
AUG	3,750	3,140	240	370	4,800	4,260	180	360	9,010	740	660	7,800	990	720
SEP	5,290	4,900	90	300	6,050	5,380	140	530	9,920	940	490	9,830	1,400	670
OCT	7,040	6,240	170	630	3,740	3,120	190	430	13,030	130	450	9,590	620	590
NOV	8,060	6,270	370	1,420	6,910	4,830	640	1,440	15,380	600	560	12,360	1,140	750
DEC	7,780	6,590	120	1070	6,870	5,260	120	1,490	18,890	680	670	11,880	940	810
1983														
JAN	6,660	5,680	120	860	7,640	6,310	110	1,220	18,910	520	730	13,260	1,060	910
FEB	6,950	6,180	240	530	8,850	6,970	520	1,360	21,340	1,830	890	12,240	1,880	1,080
MAR	8,410	7,100	1,010	300	11,420	9,180	1,220	1,020	23,490	2,550	460	13,980	3,080	830
APRp	8,340	3,230	4,060	1,050	10,750	5,000	4,130	1,620	11,090	n.a.	970	10,220	n.a.	1100

Notes: [1]All dollar amounts are in millions.

[2]Total is seasonally adjusted separately from components. Total, therefore, may not equal sum of parts.

[3]Series labeled non-residential are also inclusive of farm data.

[4]Percent coverage equals outstanding commitments received from investors divided by the sum of outstanding end of month inventory and outstanding commitments issued to borrowers, all multiplied by 100.

Year and Month	OUTSTANDING END OF MONTH INVENTORY									COVERAGE[a]			SERVICING VOLUME		
		1-4 Units				5+ Units			Non-Res.	1-4 Units	5+ Units	Non-Res.	1-4 Units	5+ Units	Non-Res.
	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.							
1981															
JUL	4,140	2,860	760	570	1,530	620	50	570	660	72	82	92	219,360	21,500	42,510
AUG	4,180	2,910	770	550	1,590	560	10	550	710	70	97	96	216,870	24,020	41,880
SEP	3,990	2,660	640	470	1,550	460	40	420	870	72	94	90	195,370	19,140	39,590
OCT	4,330	2,640	580	400	1,660	570	60	510	1,120	67	60	58	214,730	20,730	46,680
NOV	3,580	2,220	480	340	1,400	570	60	510	790	70	64	80	188,070	19,880	37,990
DEC	4,330	2,280	470	320	1,490	1,230	160	1,070	820	59	57	50	212,560	22,750	39,210
1982															
JAN	4,510	2,340	490	340	1,510	1,240	170	1,070	930	62	56	54	222,860	23,790	44,400
FEB	4,100	2,140	440	320	1,380	1,120	200	920	840	54	59	60	223,400	22,860	44,140
MAR	4,160	2,470	520	320	1,630	710	100	610	980	55	60	55	235,950	26,690	43,830
APR	4,670	2,380	510	350	1,520	910	110	800	1,380	67	45	46	233,690	24,910	46,580
MAY	4,560	2,470	530	370	1,570	1,210	110	1,100	880	64	64	54	239,060	26,040	45,020
JUN	3,360	2,400	630	410	1,360	530	130	400	430	70	81	76	244,630	25,090	44,340
JUL	5,150	2,690	640	490	1,560	1,220	140	1,080	1,240	74	46	54	235,360	22,700	43,030
AUG	5,000	2,910	710	450	1,750	1,240	140	1,100	850	65	50	48	258,320	25,020	44,360
SEP	6,140	3,000	740	490	1,770	2,380	140	2,240	760	76	42	50	258,260	25,560	44,620
OCT	6,160	3,170	750	640	1,780	2,020	140	1,880	970	59	29	42	269,470	26,150	46,350
NOV	6,650	3,620	1,000	740	1,880	2,120	290	1,830	910	65	42	51	280,360	26,490	47,050
DEC	6,320	4,400	1,370	960	2,070	1,130	160	970	790	52	52	55	292,440	26,300	49,670
1983															
JAN	8,260	4,830	1,680	1,150	2,000	2,590	330	2,260	840	56	34	58	298,680	30,890	47,110
FEB	9,070	5,260	1,700	1,160	2,400	2,620	340	2,280	1,190	46	42	52	274,470	42,570	48,710
MAR	11,390	6,290	2,040	1,480	2,770	4,070	360	3,710	1,030	47	47	56	280,870	39,210	50,680
APRp	7,960	4,370	1,420	1,050	1,900	2,740	50	2,690	850	66	52	60	238,650	38,930	46,960

CONSTRUCTION AND LAND LOAN ACTIVITY

Year and Month	DISBURSEMENTS DURING MONTH					CONSTRUCTION LOANS CLOSED				END OF MONTH INVENTORY				
	Total	1-4 Units	5+ Units	Non-Res.	Land Loans	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Land Loans
1981														
JUL	220	100	40	80	80	420	130	140	150	3,370	1,190	920	1,260	880
AUG	170	70	40	60	100	350	110	80	160	4,010	1,190	980	1,840	2,040
SEP	180	80	40	60	50	420	100	170	150	3,250	1,130	910	1,210	810
OCT	280	70	40	170	40	820	310	150	360	4,020	1,150	980	1,890	900
NOV	190	70	40	80	40	380	110	50	220	3,960	1,000	1,030	1,930	870
DEC	180	70	40	70	70	990	590	130	270	4,240	1,020	1,120	2,100	900
1982														
JAN	130	30	30	70	30	520	50	160	310	3,400	810	800	1,790	910
FEB	170	50	40	80	60	380	70	70	240	3,550	830	890	1,830	950
MAR	130	70	10	50	40	530	100	70	360	3,250	800	800	1,650	910
APR	360	70	80	210	60	550	90	180	280	3,810	820	960	2,030	1,010
MAY	130	50	30	50	40	690	80	200	410	3,740	780	960	2,000	970
JUN	180	60	40	80	70	810	80	380	350	4,290	840	1,090	2,360	1,020
JUL	160	50	30	80	40	510	60	320	130	4,210	840	960	2,410	970
AUG	150	60	20	70	50	620	100	250	270	3,480	900	920	1,660	1,000
SEP	170	70	30	70	30	370	90	160	120	3,840	960	950	1,930	1,000
OCT	170	90	30	50	30	200	90	90	20	4,620	1,150	1,180	2,290	920
NOV	180	110	20	50	20	440	120	270	50	3,880	1,110	890	1,880	950
DEC	230	100	40	90	50	500	130	110	260	4,050	1,180	900	1,970	1,030
1983														
JAN	150	80	30	40	60	300	140	30	130	3,510	990	830	1,690	920
FEB	220	90	40	90	50	320	120	80	120	4,410	1,240	860	2,310	1,000
MAR	230	110	20	100	40	500	190	200	110	3,940	1,260	610	2,070	890
APRp	180	70	10	100	50	310	170	70	70	2,580	800	320	1,460	1,010

Year and Month	COMMITMENTS TO BORROWERS: LAND AND CONSTRUCTION LOANS								NOTES PAYABLE			
	Issued During Month				End of Month Balances				End of Month Balances			
	Total	1-4 Units	5+ Units	Non-Res.	Total	1-4 Units	5+ Units	Non-Res.	Total	Comm. Paper	To Parent	To Others
1981												
JUL	680	120	250	310	3,490	1,060	1,440	990	11,760	2,350	4,820	4,590
AUG	980	120	270	590	5,800	1,010	1,830	2,960	12,350	2,300	5,530	4,520
SEP	970	80	290	600	3,670	920	1,210	1,540	10,770	2,460	4,380	3,930
OCT	1,200	130	160	910	7,030	920	1,330	4,780	11,510	2,320	5,260	3,930
NOV	1,050	120	520	410	6,120	750	1,770	3,600	10,870	1,680	5,270	3,920
DEC	1,920	140	1,310	470	7,480	770	2,910	3,800	10,960	1,160	5,710	4,090
1982												
JAN	2,050	180	1,400	470	8,070	650	3,620	3,800	11,070	1,130	5,770	4,170
FEB	690	70	190	430	7,530	540	3,340	3,650	11,230	1,180	5,360	4,690
MAR	920	190	170	560	6,420	630	2,000	3,790	11,930	1,250	6,610	4,070
APR	2,730	110	1,090	1,530	7,820	560	2,330	4,930	12,610	1,000	5,540	6,070
MAY	1,280	140	670	470	8,150	660	3,230	4,260	11,570	1,130	5,070	5,370
JUN	950	130	300	520	7,660	590	2,250	4,820	13,810	1,230	5,680	6,900
JUL	950	70	330	550	8,900	580	2,250	6,070	11,350	1,820	5,000	4,530
AUG	760	110	350	300	4,420	690	1,570	2,160	12,900	1,630	5,110	6,160
SEP	670	100	430	140	6,180	980	2,730	2,470	12,250	1,950	5,760	4,540
OCT	1,860	110	1,600	150	5,540	480	2,340	2,720	20,460	1,380	7,370	11,710
NOV	720	160	320	230	5,370	590	2,170	2,610	14,650	1,640	6,010	7,000
DEC	950	180	360	410	5,680	880	1,940	2,860	16,630	2,540	7,490	6,600
1983												
JAN	1,750	140	1,410	200	7,160	800	3,720	2,640	22,080	3,900	9,950	8,230
FEB	1,140	180	420	540	9,470	980	4,450	4,040	18,760	3,630	7,220	7,910
MAR	4,650	440	3,820	390	14,050	1,570	9,320	3,160	19,860	5,280	7,340	7,240
APRp	3,820	220	2,860	740	25,050	1,380	20,750	2,920	14,260	3,180	6,330	4,750

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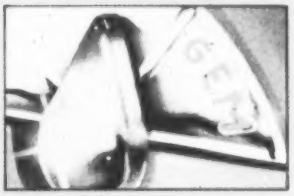

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Freddie Mac's SWAP Programs

The importance of the secondary mortgage market in directing funds from the capital markets to the conventional residential housing market has grown dramatically in recent years, initially as a result of Freddie Mac's programs and more recently by Fannie Mae and others. In 1970, conventional loan sales equaled only 5 percent of total conventional mortgage originations. Table 1 shows that in just 12 years that figure has grown to more than 50 percent. This trend is expected to continue to the point where the secondary mortgage market will become a mainstay of housing finance in the 1980s.

Both Freddie Mac and Fannie Mae have played major roles in this expansion. Competition between these two firms has benefited both borrowers and lenders through the introduction of new programs and the streamlining of old ones. As a result, the lender is in the favorable position of having several avenues available for converting mortgages to securities ("swaps"). To make the most of this advantage, the lender ("seller") must be able to make informed decisions about which program best suits his needs.

continued

Leland C. Brendsel

Table 1

Conventional Loan Sales
(1–4 Family, in millions)

Year	Total Originations	Total[1] Sales	Sales as a Percent of Originations
1970	$ 21,221	$ 1,048	4.9%
1971	37,950	1,935	5.1
1972	56,935	4,260	7.5
1973	63,321	6,638	10.5
1974	51,820	7,434	14.3
1975	59,149	9,233	15.6
1976	91,479	13,041	14.3
1977	132,410	21,096	15.9
1978	147,783	26,257	17.8
1979	138,914	32,316	23.3
1980	98,262	27,239	27.7
1981	73,836	20,808	28.2
1982	71,227	37,118	52.1

[1]*Includes loans originated in prior years*

Comparing swap costs

The purpose of this article is to compare the relative cost of Freddie Mac and Fannie Mae swap transactions.[1] The comparison will include programs in several key areas: security price, administrative expenses, guaranty and commitment fees, and remittance requirements. Other factors, which are unique for an individual seller, are not discussed. Sellers may wish to refer this article to their financial advisors.

Table 2, which summarizes the major differences between the two programs, shows that some of these key areas can be easily compared. For example, the guaranty fees and commitment fees are "obvious" costs in that the two programs can be compared with readily available information. However, the impacts of other key areas, such as the reinvestment opportunities and risks embedded in the remittance requirements of each firm, are not easily discerned and make comparisons difficult. Administrative expenses (not shown in Table 2) may be another significant "hidden" cost. Ignoring these hidden costs renders a cost comparison incomplete and can lead to an erroneous conclusion.

The first section of this article discusses the four key areas that affect the relative benefits of the Freddie Mac and Fannie Mae swap programs.[2] The second section presents the results of a quantitative program comparison of the Freddie Mac and Fannie Mae swap programs.

Security price

The first key area for comparison is the market prices of the respective securities. The price of a mortgage-backed security is affected by the liquidity provided by the security, the expected principal prepayment rate, the security coupon relative to prevailing market yields,[3] the settlement date, the financial strength of the issuing firm, and the payment delay to the investor.

Recent market prices for the Freddie Mac PC and Fannie Mae MBS are shown in Table 3. These publicly quoted prices show that both firms' securities with equivalent coupons have traded nearly evenly in price.

Administrative expenses

The second key area of comparison is the administrative expenses associated with servicing. These expenses depend on the seller's proficiency in servicing mortgages. However, different servicing requirements between Freddie Mac and Fannie Mae can affect a seller's servicing costs.

For example, sellers currently servicing Freddie Mac pools will service swap pools using the same procedures that Freddie Mac requires for all its programs. Fannie Mae has servicing requirements for its swap pools that are different from its regular purchase programs. Further, Fannie Mae's custodial requirements may increase the servicing costs for some institutions. Sellers must examine all relevant program requirements that affect their costs.

Guaranty-commitment fees

The third key area for comparison is the guaranty and commitment fees. The guaranty fee requirements are detailed for different programs in Table 2. Freddie Mac offers swap programs with recourse (i.e., the seller's obligation to repurchase a loan in default) at a cost 5 to 8 basis points (bp) below that offered by Fannie Mae. For non-recourse programs, Freddie Mac is 10 to 18 bp cheaper.

Freddie Mac offers a 90-day mandatory delivery program with no commitment fee and a 180-day optional delivery program with a .01 percent commitment fee. Fannie Mae has no mandatory delivery program. They charge a standard commitment fee on their six-month optional program equal to the greater of .01 percent or $1,000. While these represent standard guaranty and commitment fees, both Freddie Mac and Fannie Mae may negotiate lower fees for some programs.

Remittance requirements

The final key area of comparison is the remittance requirements of Freddie Mac and Fannie Mae. Different remittance policies create different reinvestment opportunities and subject sellers to differing degrees of reinvestment risk. Because the remittance policies are so important and somewhat

continued

Leland C. Brendsel is executive vice president and chief financial officer for the Federal Home Loan Mortgage Corporation. He directs Freddie Mac's finance and accounting functions, financial planning and analysis, and securities marketing. Formerly, he was vice president and chief economist of the Federal Home Loan Bank of Des Moines, Iowa.

Table 2

Key Program Features[1]

	Freddie Mac	Fannie Mae
Accounting Period	16th of prior month to 15th of current month	Calendar month
Initial Pool Balance	Delivery balances reduced by loans removed for failing to meet underwriting criteria	Delivery balances reduced by loans removed for failing to meet underwriting criteria, less scheduled principal due on or before the issue date
Remittance Requirements		
• **Scheduled Principal**	Due on the first Tuesday of the month following the end of the accounting period, if collected	Due on 18th of month in which it is due to Seller, whether or not collected
• **Prepaid Principal (loans paid in full)**	Due within five business days following the day of prepayment	Due on the 18th of the month following the month in which collected
• **Interest**	• Scheduled Interest at the security (PC) rate plus guaranty spread Due on the first Tuesday of the month —one month's interest on the balance at the beginning of the prior accounting period, (unless approved for foreclosure)	• Scheduled Interest at the security rate Due on the 18th of the month —one month's interest on the balance at the beginning of the prior month
	• Guaranty fee Included in the scheduled interest calculation	• Guaranty fee (at the required spread) Due on the 7th business day of the month —one month's fee (interest) on the balance at the beginning of the prior month
	• Prepayment Interest (on loans paid in full) Due within five business days following the day of prepayment (remitted as an adjustment to scheduled interest to reflect interest from the first of month to the day prior to prepayment on the prepayment and scheduled interest on the end-of-month balance)	• Prepayment Interest No adjustment. In effect, a full month's interest is due on any prepayment during the month
Guaranty Fee	• Without Recourse to Seller —25 bp for conventional mortgages —20 bp for seasoned conventional mortgages —17 bp for seasoned FHA/VA mortgages	• Without Recourse to Seller —35 bp for conventional mortgages, GEMs and seasoned FHA/VA mortgages
	• With Recourse to Seller —20 bp for conventional mortgages —17 bp for seasoned conventional mortgages	• With Recourse to Seller —25 bp for conventional mortgages, GEMs and seasoned FHA/VA mortgages
Minimum Servicing Spread	37.5 bp for whole loans None for participations	25 bp for conventional whole loans 50 bp for seasoned FHA/VA whole loans
Minimum Pool Size	$1 Million	$1 Million
Advances Required on Delinquent Mortgages	Interest only (until approved for foreclosure)	Principal and Interest
Commitment Fee	None on 90-day mandatory delivery program .01% on 180-day optional delivery program	The greater of .01% or $1,000 for 6-month optional delivery
Settlement Period	Approximately 20 days	Approximately 20 days

[1]*Refer to Freddie Mac's Sellers' Guide and Fannie Mae's MBS Guide for further information*

complex, they are discussed in detail below.

• *Scheduled Principal.* Scheduled principal received by the Freddie Mac seller by the 15th of the month is remitted on the first Tuesday of the following month, on average the fourth day. Consequently, the Freddie Mac seller has an average of 33 days to reinvest scheduled principal (30 days minimum, 36 days maximum), assuming scheduled payments are received on the 1st.[4]

The seller remits only principal received. Scheduled principal due the Fannie Mae seller on the first of the month is remitted on the 18th of the same month. Therefore, the Fannie Mae seller has 17 days to reinvest scheduled principal. Note that the Fannie Mae seller must remit principal due as opposed to principal received.

• *Prepaid Principal.* The Freddie Mac seller remits payments in full ("prepaid principal") within five business days following the day of receipt, providing seven calendar days to reinvest the funds. The Fannie Mae seller remits prepaid principal on the 18th of the month following receipt, providing an average of 32 reinvestment days (17 days minimum, 47 days maximum).

• *Interest.* Unlike principal payments, which are passed through, interest is calculated on accounting balances in accordance with the respective remittance policies of Freddie Mac and Fannie Mae. The Freddie Mac seller, through the interest adjustment on prepayments, remits a full month's interest on the end-of-month balance plus interest on prepaid principal from the beginning of the month through the day prior to prepayment.

With Fannie Mae, however, no provision is made for adjusting the interest due to reflect the fact that the seller ceases to earn interest at the time of prepayment. The seller remits a full month's interest on the beginning-of-month balance regardless of any prepayments during the month. Consequently, a shortfall between interest received and interest due to Fannie

continued

Table 3

Recent Market Prices for the Freddie Mac PC and Fannie Mae MBS

		Coupon		
		9-1/2%	12%	15%
1-7-83	Freddie Mac	83-28	98-12	106-28
	Fannie Mae	83-24	98-12	106-24
	SPREAD	0-04	0-00	0-04
1-21-83	Freddie Mac	83-20	98-12	106-00
	Fannie Mae	83-16	98-08	105-28
	SPREAD	0-04	0-04	0-04
2-04-83	Freddie Mac	82-20	97-08	105-00
	Fannie Mae	82-16	97-04	104-28
	SPREAD	0-04	0-04	0-04
2-18-83	Freddie Mac	84-28	99-00	106-12
	Fannie Mae	84-24	99-00	106-08
	SPREAD	0-04	0-00	0-04
3-04-83	Freddie Mac	86-20	99-24	105-16
	Fannie Mae	86-16	99-16	105-12
	SPREAD	0-04	0-08	0-04
3-18-83	Freddie Mac	85-28	99-04	104-00
	Fannie Mae	85-24	98-28	104-04
	SPREAD	0-04	0-08	(0-04)
3-31-83	Freddie Mac	85-20	99-00	104-16
	Fannie Mae	85-20	99-00	104-00
	SPREAD	0-00	0-00	0-16
4-15-83	Freddie Mac	87-04	99-16	104-04
	Fannie Mae	87-04	99-16	104-12
	SPREAD	0-00	0-00	(0-08)
4-29-83	Freddie Mac	87-16	99-24	104-12
	Fannie Mae	87-16	99-24	104-12
	SPREAD	0-00	0-00	0-00
5-13-83	Freddie Mac	88-24	100-12	104-08
	Fannie Mae	88-24	100-04	104-08
	SPREAD	0-00	0-08	0-00
5-27-83	Freddie Mac	86-20	98-08	103-20
	Fannie Mae	86-20	98-08	103-20
	SPREAD	0-00	0-00	0-00
6-10-83	Freddie Mac	85-16	97-28	104-00
	Fannie Mae	85-16	97-28	104-00
	SPREAD	0-00	0-00	0-00
6-24-83	Freddie Mac	84-20	97-00	104-04
	Fannie Mae	84-20	97-00	104-04
	SPREAD	0-00	0-00	0-00

Source: Salomon Brothers Inc, "Biweekly Mortgage Market Roundup"

Mae develops when prepayments occur, exposing the seller to reinvestment risk.

The interaction of the various aspects of the remittance policies on reinvestment income is very complex. Expressing the resulting reinvestment opportunities in terms of float days,[5] although not precise, serves to demonstrate the reinvestment risk associated with Fannie Mae's program. The example in Table 4 shows the resulting float days available to the Freddie Mac and Fannie Mae sellers for two situations: one with a low reinvestment rate relative to the remittance rate (the security coupon plus guaranty fee) and one with a high reinvestment rate relative to the remittance rate.

Because Freddie Mac remittance policies provide reinvestment opportunities without reinvestment risk, all reinvestment days represent float days. Table 4 shows that the Freddie Mac seller has, on average, 33 float days on scheduled payments and seven float days on prepayments.

The number of float days available to the Fannie Mae seller on prepayments, however, is dependent upon the relationship between the reinvestment rate and the remittance rate. (See Table 4.) If the reinvestment rate is below the remittance rate, the number of float days available to the Fannie Mae seller on prepayments will almost always be less than the 17 days on scheduled payments, because some of the reinvestment income on the prepayments must be remitted to Fannie Mae. Conversely, if the reinvestment rate is above the remittance rate, the number of float days available to the Fannie Mae seller on prepayments is greater than 17 days.

The relative benefit of servicing a Freddie Mac or Fannie Mae swap depends on the relative size of scheduled payments and prepayments and the number of float days for each. Larger scheduled payments favor the Freddie Mac seller. Prepayments tend to favor the Fannie Mae seller, although, as the above example shows, the relative advantage is sensitive to interest rates. Because an increase in the prepayment rate is generally associated with declining reinvestment and mortgage rates relative to the original mortgage rate, the float advantage for a Fannie Mae seller on prepayments would normally decline as prepayments increased.

Table 4

The Effect of Reinvestment Rates on Fannie Mae's Float Days[1]

1. Remittance Rate = 12%
   Reinvestment Rate = 8%

$100.000	Principal Prepayment
.500	15 Days Interest @ 12%
.715	32 Days Reinvestment Income @ 8%
$101.215	Total Cash Inflow
101.000	Remit to Fannie Mae @ 12%
$ .215	Net Reinvestment Income

$ .215 × 360 = 10 Float Days
$100.500 .08

2. Remittance Rate = 8%
   Reinvestment Rate = 12%

$100.000	Principal Prepayment
.333	15 Days Interest @ 8%
1.070	32 Days Reinvestment Income @ 12%
$101.403	Total Cash Inflow
100.667	Remit to Fannie Mae @ 8%
$ .736	Net Reinvestment Income

$ .736 × 360 = 22 Float Days
$100.333 .12

Total Float Days

	Remittance Rate = 12% Reinvestment Rate = 8%		Remittance Rate = 8% Reinvestment Rate = 12%	
	Freddie Mac	Fannie Mae	Freddie Mac	Fannie Mae
Scheduled P&I	33	17	33	17
Prepaid P&I	7	10	7	22

[1]*Assumes monthly prepayments occur, on average, in mid-month*

Quantitative program comparisons

This section illustrates the results of a detailed analysis of the cash flows generated during a swap.[6] Results are shown for security coupons of 8 percent, 10 percent, and 12 percent; reinvestment rates of 8 percent, 10 percent, and 12 percent; and prepayment patterns of 50 percent, 100 percent, and 150 percent FHA. The 100 percent FHA prepayment pattern is an empirical schedule derived from published Federal Housing Administration experience (Section 203 Mortgages, U.S. as of 12/81). The 50 percent FHA and 150 percent FHA prepayment patterns represent slower and faster rates of prepayment, respectively. The results are presented for recourse (Table 6) and

continued

non-recourse (Table 7) programs.

With the assumption that the swap securities are sold, analysis focuses on the servicing cash flows between the mortgagor, the seller, and the purchasing firm. When these cash flows are adjusted for timing differences and discounted back to the swap commitment date, the result is the present value to the seller of servicing the mortgage pool. The sum of the present value of the servicing cash flows and the price received for the securities is the present value of the entire swap transaction.

For example, assuming a current market price for a 12 percent security of 98.5, Table 5 shows that given a 100 percent FHA prepayment pattern and a 10 percent reinvestment rate, the present value of servicing a 12.750 percent, $10,000,000 mortgage pool with Freddie Mac on a non-recourse basis is $10,344,000. A Fannie Mae seller servicing the same mortgage pool generates cash flows with a present value of $10,255,000; an $89,000 Freddie Mac advantage worth .89 points in price. The 10 bp difference in the guaranty fees accounts for $62,000 of the $89,000 total. The remaining $27,000 Freddie Mac advantage is due to the differences in remittance policies between Freddie Mac and Fannie Mae.

Table 5

Present Value Comparisons

	Present Value[1]		
	Freddie Mac	Fannie Mae	Benefit to Freddie Mac Seller
Security Sales Proceeds:	$ 9,850,000	$ 9,850,000	$ —
Servicing Income:[2]	647,000	620,000	27,000
Guaranty Fee:	(152,000)	(214,000)	62,000
Commitment Fee:	(1,000)	(1,000)	—
TOTAL:	$10,344,000	$10,255,000	$ 89,000

Assumptions:

Mortgage Pool Size:	$10 Million	Guaranty Fee:	
Mortgage Rate:	12.750%	Freddie Mac:	25 bp
Security Coupon:	12.000%	Fannie Mae:	35 bp
Mortgage Prepayment Experience:	100% FHA	Security Market Price:[3]	98.5
		Reinvestment Rate:[4]	10.0%

Notes:

[1]Present value of cash flows discounted at the reinvestment rate, rounded to the nearest $1,000.
[2]Exclusive of guaranty fee; includes servicing income in excess of minimum requirements.
[3]Based on recent market prices.
[4]Reflects opportunities for reinvestment of funds.

It is difficult to separate the effects of the individual remittance policy differences responsible for the benefit of performing a swap with Freddie Mac. However, with the help of Tables 6 and 7—which summarize the benefits to the Freddie Mac seller over a range of security coupons, reinvestment rates, and prepayment assumptions—it is possible to discern some general trends that are consistent with the discussion on float days in the previous section.

Three obvious trends

Three trends are evident. First, the Freddie Mac seller enjoys a larger advantage over the Fannie Mae seller when the mortgages prepay at a slower

continued

Table 6

A Summary of the Benefit to the Freddie Mac Seller of Servicing Without Recourse*

	50% FHA			100% FHA			150% FHA		
Security Coupon	**8%**	**10%**	**12%**	**8%**	**10%**	**12%**	**8%**	**10%**	**12%**
Reinvestment Rate									
8%	.97	1.08	1.19	.77	.88	.98	.63	.73	.83
10%	.88	.98	1.09	.69	.79	.89	.55	.65	.75
12%	.80	.91	1.00	.62	.73	.82	.49	.59	.69

Assumptions: 1) Mortgage Rate .75% Above Security Coupon
2) Guaranty Fee
Freddie Mac .25%
Fannie Mae .35%
3) Securities are Sold at Equivalent Prices
4) No Delinquencies
5) Administrative Expenses are Identical

*Expressed as a Percentage of (Points On) the Delivered Mortgage Balance

Table 7

A Summary of the Benefit to the Freddie Mac Seller of Servicing With Recourse*

	50% FHA			100% FHA			150% FHA		
Security Coupon	**8%**	**10%**	**12%**	**8%**	**10%**	**12%**	**8%**	**10%**	**12%**
Reinvestment Rate									
8%	.58	.68	.78	.44	.54	.63	.34	.44	.53
10%	.53	.63	.73	.39	.49	.59	.29	.39	.48
12%	.49	.59	.69	.35	.45	.55	.25	.35	.44

Assumptions: 1) Mortgage Rate .75% Above Security Coupon
2) Guaranty Fee
Freddie Mac .20%
Fannie Mae .25%
3) Securities are Sold at Equivalent Prices
4) No Delinquencies
5) Administrative Expenses are Identical

*Expressed as a Percentage of (Points On) the Delivered Mortgage Balance

rate. Table 6 shows that given a 150 percent FHA prepayment pattern with a 10 percent security coupon and 10 percent reinvestment rate, the Freddie Mac seller benefits by .65 points in price. If prepayments slow to 50 percent FHA, the benefit of swapping with Freddie Mac jumps to .98 points.

As the prepayment rate decreases, a greater proportion of the mortgage cash flows are scheduled payments. The Freddie Mac seller has an average of 33 days to reinvest these funds versus 17 days for the Fannie Mae seller. This extra reinvestment income increases the present value of the Freddie Mac seller's servicing. As the proportion of prepayments increases, the Freddie Mac seller's advantage decreases because of the generally longer reinvestment opportunity on prepayments with Fannie Mae.

A second trend reveals that the benefit of swapping with Freddie Mac increases as the security coupon, and thus the mortgage rate, increases. For a 100 percent FHA prepayment pattern and an 8 percent reinvestment rate, the Freddie Mac seller's advantage rises from .77 to .98 points in price as the security coupon increases from 8 percent to 12 percent. Higher rate mortgages, associated with higher security coupons, have larger scheduled payments. The Freddie Mac seller has 33 days to reinvest scheduled payments versus 17 days for the Fannie Mae seller.

The third trend points out the important relationship between the security coupon and the reinvestment rate. From the discussion on float days in the first section, it follows that as the reinvestment rate drops, the advantage to the Freddie Mac seller increases. Table 6 shows that for a 12 percent security coupon and a 100 percent FHA prepayment pattern, the benefit of swapping with Freddie Mac jumps from .82 to .98 points in price as the reinvestment rate drops from 12 percent to 8 percent.

The increase in the Freddie Mac seller's advantage stems from the Fannie Mae remittance policy that lacks a provision for adjusting remittances to reflect the fact that the Fannie Mae seller stops earning interest on prepayments on the day prior to receipt. Therefore, the Fannie Mae seller must remit a full month's interest at the remittance rate of 12.35 percent while prevailing reinvestment rates offer only 8 percent on reinvested prepayments. This negative carry reduces the reinvestment income retained by the Fannie Mae seller, thereby reducing the present value of the servicing.

The three trends discussed above are interrelated and in most instances partially offset each other. For example, higher mortgage rates and lower reinvestment rates generally imply higher rates of prepayment. The Fannie Mae seller's advantage on prepayments will be partially offset by the reinvestment risk associated with the lower reinvestment rates.

Substantial differences

This article has identified four key areas for comparing swap programs: security prices, administrative expenses, guaranty and commitment fees, and remittance requirements.

A seller should be aware of the value of the program differences in these four key areas, in addition to the value of any other relevant factors, when evaluating the relative benefit or cost of swapping with Freddie Mac or Fannie Mae. Tables 6 and 7 show that the value of these program differences can be substantial. The actual value of the program differences to an individual seller will depend on economic conditions and his particular circumstances.□

[1]Freddie Mac sells Mortgage Participation Certificates (PCs) to sellers through the swap (Guarantor) program. PCs are sold only by means of an offering circular. This article does not constitute an offer to sell or a solicitation of offers to buy PCs.

[2]The analysis presented in this article is based on publicly available information on Fannie Mae's program that Freddie Mac believes to be current and reliable. Freddie Mac cannot, however, guarantee its accuracy. Portions of the information and analysis have been condensed.

[3]For a given mortgage rate, different program requirements relating to the selection of a security coupon may enable the seller to obtain a higher security coupon with one firm than he could obtain with the other.

[4]Freddie Mac does not require scheduled payments to be due on the 1st. Fannie Mae has different remittance requirements for scheduled payments that are not due on the 1st.

[5]Net reinvestment income expressed as days of reinvestment.

[6]Assuming the PC and MBS are sold at equivalent prices.

MORTGAGE MARKET TRENDS

Prepared by MBA's Economics Department

September 12, 1983

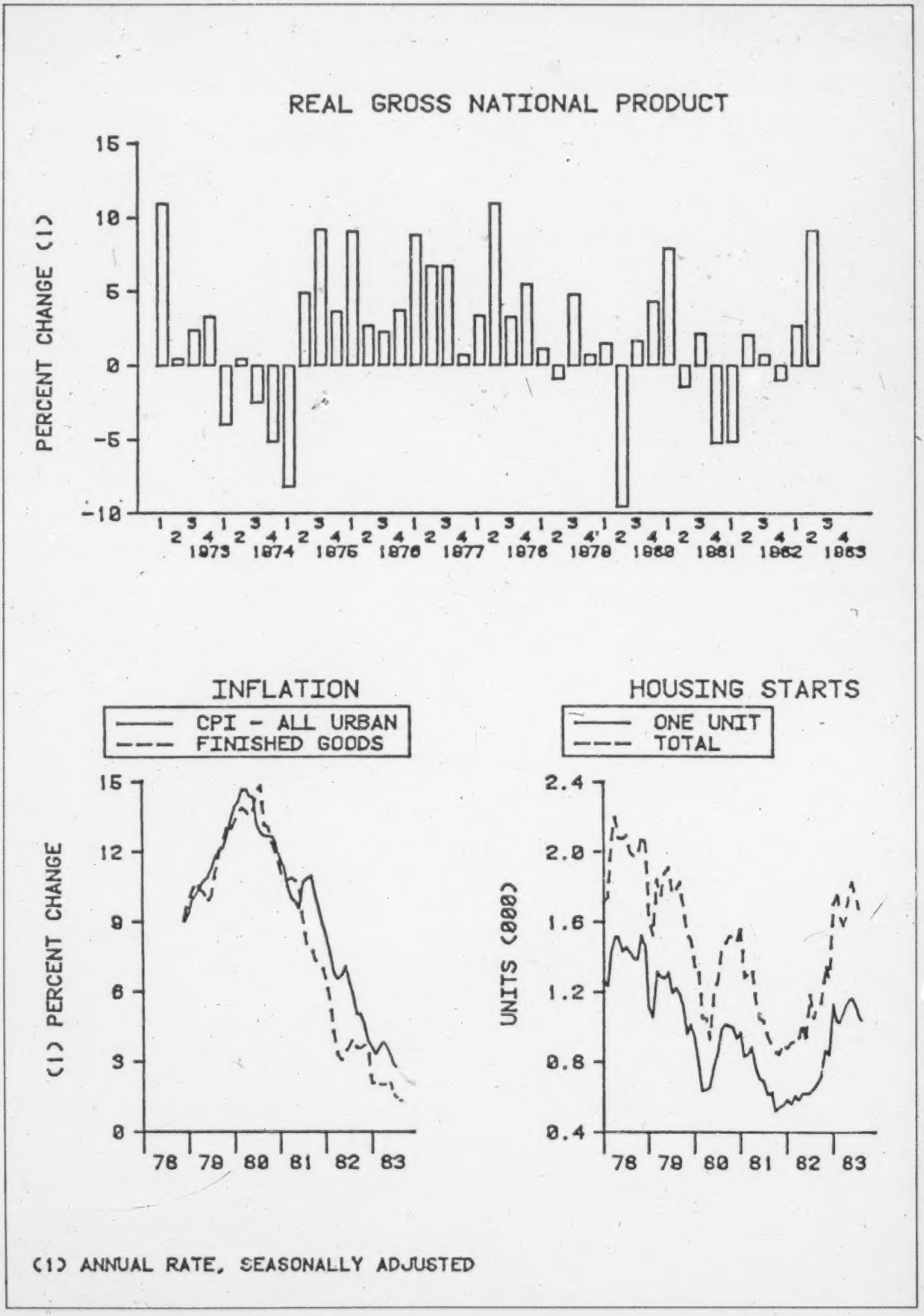
The U.S. economy has shown a remarkable turnaround in a relatively short period of time, exceeding the hopes and expectations of many observers. After growing at a 2.6 percent annual rate in the first quarter this year, real Gross National Product surged ahead in the second quarter at a 9.2 percent annual rate. While a rebound of this magnitude is not abnormal for the early stages of a recovery, hopes expressed earlier this year for a more modest growth rate on the order of 4 to 6 percent were dashed. This rapid growth rate, while helping the unemployment situation, increases the risk of renewed inflation. The rapid pace of consumer spending associated with this recovery already has put upward pressure on interest rates, increasing the risk that growing business demand for credit may conflict with Government demand for debt financing late this year. The result has been that the financial markets have been unusually nervous, dissecting every move of the Federal Reserve to detect the slightest evidence of a shift in monetary policy. This nervousness prevents interest rates from falling to a level in line with the current inflation rate of 3 to 5 percent.

At present, the nature of the recovery is such that high interest rates have had a minor effect on aggregate economic activity. The difference between the first quarter growth of a 2.6 percent annual rate and the second quarter 9.2 percent rate was largely attributable to renewed consumer confidence. With gains in real incomes and declining fears of unemployment, pent-up demand brought about an annualized increase in final sales of almost 6 percent in the second quarter, in contrast to the first quarter gain of just over one-half of one percent. Personal consumption expenditures increased at an annual rate of 10 percent, three times higher than during the first quarter. Purchases of durable goods were a major factor in second quarter expenditures, climbing at a remarkable 32 percent annual rate that must be viewed as unrepeatable in the near term. A considerable portion of the funding for these purchases arose from personal saving, as the saving rate declined from about 5½ percent, where it had remained for nine months, to 4 percent in the second quarter. This renewed economic activity led to a healthy corporate profit picture of $33 billion for the second quarter compared with $19 billion in the first quarter.

The continued high level of real interest rates is persistent evidence of the inflationary expectations remaining in the financial markets. This psychology has led to a close monitoring by the market of Federal Reserve monetary and credit policies, especially as measured by the narrowly defined money supply, M1. Unfortunately, investors place great credence in this erratic, and often revised, weekly measure to discern Fed objectives. The result is that rates in the short term became more volatile, adding an otherwise unnecessary premium for uncertainty. Recent technical abnormalities, such as a change in the definition of M1 and a "breakdown" in the pattern of the turnover rate of M1, led the Fed to reduce its emphasis on this measure at the July open market committee meeting in favor of the broader supply measures, M2 and M3. As a result, fears of drastic credit tightening soon by the Fed are probably unfounded. Another reason to expect moderation from the Federal Reserve is the international debt situation that would be made much more dangerous by too restrictive monetary and credit policies. Early in August the Fed, along with other central banks, undertook to stabilize foreign exchange markets through a sterile intervention in the international markets, estimated at one billion dollars. Massive dollar debts of countries such as Brazil, Mexico, and Argentina have closely linked financial difficulties overseas with domestic events, thus limiting the options open to the Fed.

The strength of the recovery last quarter took everyone by surprise, and early signs of its slowing to a more sustainable pace are emerging. New and existing home sales, which had been on an upward track of about 3 to 5 percent per month since February, softened in July as mortgage interest rates increased. Further tightening in the credit markets since May will be a restraining influence in the weeks ahead. As unemployment continues to moderate, potential homebuyers who sat out of the market should be back later in the year. Housing starts should be about 1.5 million units this year, up from the record low 1.06 million in 1982. The supply of commercial real estate, especially office space, continues to outstrip present requirements in major markets but it should be better positioned during 1984.

Gregory D. Luetscher
Assistant Economist


REAL GROSS NATIONAL PRODUCT
PERCENT CHANGE (1)
15
10
5
0
-5
-10
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983
INFLATION
CPI - ALL URBAN
FINISHED GOODS
(1) PERCENT CHANGE
15
12
9
6
3
0
78 79 80 81 82 83
HOUSING STARTS
ONE UNIT
TOTAL
UNITS (000)
2.4
2.0
1.6
1.2
0.8
0.4
78 79 80 81 82 83
(1) ANNUAL RATE, SEASONALLY ADJUSTED

MORTGAGE MARKET TRENDS—OCTOBER 1983

RESIDENTIAL STRUCTURES, BY UNIT TYPE
(Units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES: Actual			PERMITS 16,000 ISSUING PLACES: Seasonally Adjusted Annual Rate			HOUSING STARTS: Actual			HOUSING STARTS: Seasonally Adjusted Annual Rate		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1982												
APR	83	53	29	879	526	353	85	62	23	911	648	263
MAY	81	53	28	944	590	354	99	67	32	1,028	707	321
JUN	89	59	30	929	607	322	91	71	20	910	703	207
JUL	91	53	37	1,062	585	477	107	70	37	1,185	721	464
AUG	80	54	26	888	580	308	96	70	26	1,046	738	308
SEP	100	61	39	1,003	657	346	105	71	34	1,134	773	361
OCT	100	63	37	1,172	737	435	111	73	38	1,142	782	360
NOV	100	64	36	1,284	843	441	109	73	36	1,361	947	414
DEC	76	50	26	1,168	810	358	83	57	26	1,280	921	359
1983												
JAN	85	56	29	1,447	1,996	461	92	64	29	1,707	1,239	468
FEB	93	56	36	1,479	949	530	96	66	30	1,784	1,220	564
MAR	135	91	44	1,467	985	482	135	95	40	1,605	1,108	497
APR	138	93	45	1,536	982	554	136	103	33	1,506	1,118	388
MAY	149	104	45	1,635	1,076	559	175	124	51	1,807	1,279	528
JUN	171	114	57	1,761	1,160	601	175	127	48	1,752	1,270	482
JUL	150p	94p	56p	1,816p	1,073p	743p	156p	110p	46p	1,741p	1,144p	597p
7 months												
1983	921	608	312				965	689	277			
1982	522	331	192				561	400	161			
1981	636	440	176				700	528	175			
1980	601	425	243				661	492	169			

VALUE OF NEW CONSTRUCTION PUT IN PLACE
(Dollars in millions)

Year and Month	Seasonally Adjusted Annual Rate: Total	1 Unit	2+ Units	Non-Res.
1982				
APR	113,833	33,429	15,280	65,124
MAY	114,597	33,864	16,261	64,472
JUN	116,619	34,398	14,950	67,271
JUL	116,632	35,270	16,085	65,277
AUG	117,960	35,852	16,774	65,334
SEP	118,274	36,309	16,728	65,237
OCT	118,591	36,895	16,720	64,976
NOV	121,864	38,868	16,902	66,094
DEC	122,957	41,495	17,113	64,349
1983				
JAN	128,757	45,650	17,775	65,332
FEB	131,430	49,869	18,907	62,654
MAR	133,662	53,374	18,958	61,330
APR	134,876	57,134	20,130	57,612
MAY	139,801	61,926	20,300	57,575
JUN	148,142	66,010	22,124	60,008
JUL	152,216p	67,591p	24,627p	59,998p

HOUSE SALES
(Units in thousands)

Year and Month	EXISTING HOUSES[1]	NEW HOUSES: Sold	Available For Sale	Months Supply at Current Rate
1982				
APR	174	33	263	9.3
MAY	169	37	259	8.2
JUN	192	34	253	8.3
JUL	183	31	251	8.5
AUG	186	34	247	7.5
SEP	168	40	248	6.9
OCT	173	41	245	6.1
NOV	167	39	250	5.5
DEC	148	33	255	5.8
1983				
JAN	155	44	256	5.2
FEB	163	46	253	5.4
MAR	247	57	259	5.2
APR	236	59	264	5.1
MAY	259	64	275	5.0
JUN	283	59	289	5.5
JUL	263p	54p	293p	5.7p
7 months				
1983	1,596	383		
1982	1,114	225		
1981	1,507	285		
1980	1,623	455		

RESIDENTIAL STRUCTURES, BY REGION
(units in thousands)

Year and Month	PERMITS 16,000 ISSUING PLACES: Actual				PERMITS 16,000 ISSUING PLACES: Seasonally Adjusted Annual Rate				STARTS: Actual				STARTS: Seasonally Adjusted Annual Rate			
	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West	North East	North Central	South	West
1982																
MAR	8	8	47	16	88	87	490	186	7	7	49	16	112	100	521	187
APR	9	10	46	17	97	105	506	171	9	14	47	15	104	157	484	166
MAY	10	13	41	17	110	145	488	201	12	16	54	18	117	144	578	189
JUN	10	12	46	20	105	118	499	207	10	18	44	19	98	157	462	193
JUL	9	12	45	24	101	140	555	266	11	15	62	18	104	159	725	197
AUG	13	10	42	17	113	106	485	184	12	16	49	16	119	164	567	196
SEP	12	15	51	21	114	131	530	228	16	15	54	20	138	141	629	226
OCT	13	14	51	22	135	139	635	263	10	20	58	23	108	156	628	250
NOV	14	13	56	17	127	131	649	285	14	15	63	17	160	183	773	245
DEC	8	7	41	21	112	148	738	307	8	7	47	21	122	155	714	289
1983																
JAN	6	6	52	21	152	188	764	343	5	6	63	18	164	231	992	307
FEB	8	6	57	22	185	163	794	337	7	8	58	24	270	263	900	351
MAR	11	14	82	28	136	173	835	323	13	13	80	29	210	196	855	344
APR	14	16	74	34	165	172	832	367	14	18	75	30	175	192	804	335
MAY	15	20	77	38	148	194	885	408	17	25	93	40	164	229	1,008	406
JUN	19	21	86	45	183	201	930	447	18	25	90	41	171	217	950	414
JUL	16p	18p	80p	37p	181p	191p	1,029p	415p	17p	22p	79p	38p	158p	227p	952p	404p
7 months																
1983	89	101	508	225					91	117	538	220				
1982	53	62	291	115					55	76	325	106				
1981	67	84	315	170					66	102	374	156				
1980	60	86	289	167					63	97	343	161				

CONSTRUCTION STATUS
(units in thousands)

Year and Month	UNDER CONSTRUCTION: Total	1-4 Units	5+ Units	COMPLETIONS: Total	1-4 Units	5+ Units
1982						
MAR	646	412	234	73	50	23
APR	653	419	234	75	53	22
MAY	666	425	241	86	61	25
JUN	671	438	232	85	76	28
JUL	690	442	248	85	64	21
AUG	690	442	248	91	66	25
SEP	713	450	263	84	63	21
OCT	717	448	269	102	71	30
NOV	732	453	279	94	68	26
DEC	718	439	279	96	68	28
1983						
JAN	728	442	286	81	60	21
FEB	747	456	291	78	53	25
MAR	835	517	318	91	69	22
APR	832	516	316	90	69	21
MAY	901	565	336	106	75	31
JUN	951	597	354	123	93	30
JUL	993p	620p	373p	118p	89p	29p
7 months						
1983				687	508	179
1982				538	392	165
1981				726	538	158
1980				892	624	268

INTEREST RATES AND YIELDS

Year and Month	1-4 UNIT MORTGAGES: FHA Opinion Survey: FHA New[1]	Conventional: New	Conventional: Existing	FHLBB Survey: Conventional: New	Conventional: Existing	APARTMENTS[5]	CONSTRUCTION LOANS[6] ALL TYPES	FNMA Mandatory Delivery Yields: ARM (Plan 6)	FNMA Mandatory Delivery Yields: Conv	GNMA Current Securities Yield[7]	SELECTED SECURITIES: Aaa Utility New Issue	U.S. Gov't. 10-yr	U.S. Gov't. 26-wk	Prime Commercial Paper 90-119 Days	SPREADS (Basis Points): FHA New Minus Aaa Utility	GNMA minus 10-yr Gov't.
1982																
APR	16.31	16.65	16.75	15.84	16.00	16.88			16.125	15.56	15.83	13.87	12.861	14.06	48	169
MAY	16.19	16.50	16.55	15.89	16.11	16.88	17.80		16.000	15.26	15.22	13.62	12.220	13.42	97	164
JUN	16.73	16.75	16.80	15.40	15.56	17.62			16.375	15.89	15.92	14.30	12.310	13.96	81	159
JUL	16.29	16.50	16.55	15.70	15.52	17.13			16.125	15.54	15.61	13.95	12.236	12.94	68	159
AUG	14.61	15.40	15.45	15.71	15.63	15.62	17.19		15.500	14.31	13.95	13.06	10.105	10.15	66	125
SEP	14.03	15.05	15.05	14.99	15.30	15.37			14.750	13.51	13.50	12.34	9.539	10.36	53	117
OCT	12.99	13.95	13.95	14.41	14.95	14.13		13.097	14.000	12.86	12.20	10.91	8.299	9.20	79	195
NOV	12.82	13.80	13.80	13.81	14.29	13.88	15.14	12.605	13.375	11.85	11.76	10.55	8.319	8.69	106	130
DEC	12.80	13.62	13.64	13.70	13.95	13.37		12.346	13.000	12.00	11.84	10.54	8.225	8.51	96	146
1983																
JAN	12.87	13.44	13.45	13.49	13.54	13.88		12.097	13.000	11.89	12.05	10.46	7.898	8.17	82	143
FEB	12.65	13.18	13.19	13.16	13.40	13.75		12.376	12.875	12.20	12.08	10.72	8.233	8.34	110	148
MAR	12.68	13.17	12.85	13.51	13.04	13.63	12.56	11.916	12.920	11.82	11.70	10.51	8.325	8.52	98	131
APR	12.50	13.02	13.07	12.42	12.88	13.50		11.955	12.775	11.78	11.41	10.40	8.343	8.53	109	138
MAY	12.41	13.09	13.09	12.67	12.82	13.63	11.72	11.470	12.583	11.54	11.32	10.38	8.20	8.33	109	116
JUN	12.96	13.37	13.38	12.36	12.67	14.00		12.480	13.163	12.03	11.87	10.85	8.89	9.00	109	118
JUL	14.23	14.00	14.01	12.50	12.63	14.50		12.978	13.638	12.80	12.32	11.38	9.29	9.25	191	142

LONG—TERM MORTGAGE LOANS CLOSED

(Dollars in Millions)

Year and Month	BY TYPE OF INSTITUTION					BY TYPE OF UNIT, AND INSTITUTION														
						1-4 Units					5+ Units					Nonresidental				
	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.
1982																				
FEB	8,302	2,140	2,600	2,966	596	5,519	1,760	2,097	1,620	42	598	120	246	178	54	2,215	290	257	1,168	500
MAR	10,600	3,180	3,160	3,465	795	6,957	2,420	2,626	1,872	39	477	90	207	129	51	3,096	600	327	1,464	705
APR	9,755	2,900	3,100	3,071	684	6,721	2,420	2,582	1,674	45	469	50	177	172	70	2,535	400	341	1,225	569
MAY	9,689	3,080	3,193	2,899	517	6,626	2,450	2,541	1,597	38	479	190	163	111	15	2,614	470	489	1,191	464
JUN	11,792	3,440	4,041	3,826	485	8,153	2,850	3,258	1,995	50	687	180	271	223	13	2,932	390	512	1,608	422
JUL	10,874	2,940	3,427	3,661	846	7,361	2,330	2,922	2,049	60	501	70	206	177	48	2,862	390	299	1,435	738
AUG	10,108	2,710	3,601	3,251	546	7,412	2,500	2,909	1,958	45	543	40	280	210	13	2,423	440	412	1,083	488
SEP	10,807	2,620	3,858	3,855	474	7,911	2,460	3,130	2,276	45	563	20	295	226	22	2,393	200	433	1,353	407
OCT	10,954	3,080	3,529	3,764	581	7,637	2,480	2,817	2,296	44	781	340	216	210	15	2,646	370	496	1,258	522
NOV	13,450	4,460	4,026	4,458	506	10,067	3,930	3,148	2,935	54	702	220	337	107	38	2,751	380	541	1,416	414
DEC	19,578	5,850	6,443	5,724	1,561	13,941	5,390	4,778	3,705	68	1,025	50	605	297	73	4,482	200	1,060	1,722	1,420
1983																				
JAN	16,530	6,400	4,755	4,595	780	12,137	5,840	3,621	2,628	48	1,066	250	529	246	41	3,426	410	605	1,721	691
FEB	18,116	6,960	5,090	5,197	869	13,850	6,820	3,946	3,041	43	958	90	383	407	78	3,748	490	761	1,749	748
MAR	23,138	8,590	7,577	5,955	1,016	17,149	7,160	5,877	4,054	58	1,061	70	677	233	81	4,498	930	1,023	1,668	877
APR	21,117	7,520	7,942	4,903	756	15,983	6,630	6,292	3,005	56	1,269	340	656	223	50	3,865	550	990	1,675	650
MAY	23,354	7,760	8,348	6,427	819	17,229	6,860	6,903	3,409	57	1,148	130	549	411	58	4,977	770	896	2,607	704
JUN	30,485	9,180	10,896	8,883	1,526	21,874	7,840	8,643	5,299	92	2,537	980p	916	491	150	6,044	360	1,337	3,063	1,284

LONG-TERM COMMITMENT ACTIVITY

(Dollars in Millions)

Year and Month	OUTSTANDING					ISSUED DURING MONTH				
	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.	Total	Mtg. Bankers	S&Ls	Banks[a]	Life Cos.
1982										
JAN	44,598	8,070	16,653	9,025	10,850	7,237	2,940	2,261	1,743	293
FEB	43,552	7,740	16,529	8,794	10,489	7,480	3,080	2,844	1,131	425
MAR	46,125	8,910	16,664	9,630	10,921	10,005	4,130	3,347	1,564	964
APR	48,376	9,090	17,186	11,381	10,719	10,329	4,650	3,390	1,579	710
MAY	49,695	9,390	17,362	12,345	10,598	9,690	4,180	3,350	1,627	533
JUN	49,270	9,240	17,327	12,543	10,160	8,765	3,220	3,597	1,648	300
JUL	49,726	9,610	16,951	13,436	9,729	9,171	3,410	3,537	1,679	545
AUG	50,855	10,410	17,748	13,192	9,505	9,646	3,750	3,847	1,615	434
SEP	51,994	11,350	18,241	13,108	9,295	11,139	5,290	3,888	1,466	495
OCT	54,730	13,610	19,328	12,512	9,280	13,394	7,040	4,024	1,620	710
NOV	60,452	16,540	20,785	13,457	9,670	16,226	8,060	5,017	1,819	1,330
DEC	65,375	19,940	21,548	14,267	9,620	17,913	7,780	6,082	1,991	1,304
1983										
JAN	66,607	20,160	22,945	13,802	9,700	15,343	6,660	5,555	1,928	1,200
FEB	74,301	24,060	25,677	14,847	9,717	17,367	6,950	7,271	2,076	1,070
MAR	80,178	26,500	28,846	14,982	9,850	23,050	8,410	10,291	3,051	1,298
APR	109,493	53,320	31,850	13,993	10,330	26,184	11,630	9,730	3,230	1,594
MAY	81,764	21,560	33,906	15,767	10,531	23,274	7,680	10,622	3,667	1,305
JUN	95,914p	34,140p	35,319	15,308	11,147	25,641	7,040	12,555	3,940	2,106

MORTGAGE INSURANCE

(Units in thousands, dollars in millions)

Year and Month	APPLICATIONS RECEIVED UNITS			INSURED							
				Total		FHA (203)		VA		Private	
	Total	FHA/VA	Private	Units	Amt.	Units	Amt.	Units	Amt.	Units	Amt.
1982											
JAN	48	31	17	31	1,726	7	270	6	327	18	1,129
FEB	54	32	22	32	1,785	8	356	7	393	17	1,036
MAR	69	37	32	39	2,193	9	373	7	421	23	1,399
APR	63	34	29	35	1,976	8	322	6	374	21	1,280
MAY	67	31	36	43	2,222	8	335	6	328	29	1,559
JUN	83	40	43	50	2,743	9	408	8	443	33	1,892
JUL	84	38	46	52	2,687	9	375	9	482	34	1,830
AUG	82	36	46	54	2,997	8	352	10	573	36	2,072
SEP	91	47	44	60	3,248	11	462	13	743	36	2,043
OCT	103	59	44	52	2,826	10	425	6	385	36	2,016
NOV	104	60	44	53	2,920	11	498	8	455	34	1,967
DEC	175	125	50	63	3,471	16	703	9	564	38	2,204
1983											
JAN	137	98	39	54	3,201	14	637	10	630	30	1,934
FEB	138	96	42	62	3,607	17	795	15	961	30	1,851
MAR	176	113	63	87	5,003	31	1,508	20	1,243	36	2,252
APR	180	117	63	96	5,483	39	1,867	19	1,190	38	2,426
MAY	165	91	74	101	5,959	24	1,152	30	1,911	47	2,896
JUN	233	145	88	142	8,015	60	2,938	24	1,541	58	3,536

SECONDARY MARKET ACTIVITY

(Dollars in Millions)

Year and Month	FNMA				FHLMC				GNMA	
	Portfolio		Mortgage Backed Securities		Comm. to Sell	Comm. to Buy	Mtg. Purc.	Sold	Pass-Through Securities	
	Comm.	Purc.	Comm.	Issued					Applications	Issued
1981										
NOV	560	594			598	2,011	416	598	1,298	795
DEC	1,272	655			1,156	203	1,140	1,156	1,729	1,304
1982										
JAN	813	430	112	322	3,276	3,280	1,629	1,628	1,543	902
FEB	1,204	519	2,287	682	566	565	1,228	1,115	1,789	960
MAR	1,880	604	224	1,071	2,607	2,523	1,481	1,564	2,223	1,335
APR	2,482	755	428	662	2,726	2,824	2,144	2,176	1,219	835
MAY	1,550	1,006	467	802	1,699	2,692	1,214	1,194	1,812	1,194
JUN	1,582	1,223	2,696	337	3,207	3,166	1,581	1,564	2,800	1,530
JUL	2,016	1,354	670	1,858	2,201	2,181	2,236	2,205	2,116	1,011
AUG	1,820	1,931	1,694	789	2,906	2,768	2,529	2,618	2,850	1,383
SEP	1,482	1,670	1,503	1,008	2,980	2,892	1,798	1,924	16,429	1,521
OCT	1,426	1,449	1,741	2,167	2,467	2,506	2,000	2,200	1,297	1,441
NOV	2,795	1,681	2,281	1,838	1,818	1,714	1,917	2,177	1,692	1,564
DEC	3,055	2,495	1,415	2,436	897	1,068	3,916	3,804	3,093	2,330
1983										
JAN	2,006	2,045	1,409	1,082	2,004	2,059	1,479	1,641	4,593	2,657
FEB	784	1,594	1,496	1,213	847	868	1,688	1,756	4,316	3,573
MAR	1,184	1,433	2,237	1,684	1,410	1,438	2,849	2,469	9,487	5,292
APR	1,023	1,004	1,055	1,152	2,149	3,079	1,807	1,525	6,423	4,359
MAY	1,534	1,579	1,251	1,160	2,881	2,334	2,439	1,408	6,687	4,654
JUN	2,506	1,333	1,713	1,097	2,319	2,358	1,494	1,244	6,444	5,246

MORTGAGE BANKERS CONSTRUCTION AND LAND LOAN ACTIVITY

(Dollars in Millions)

Year and Month	DISBURSEMENTS DURING MONTH					OUTSTANDING COMMITMENTS TO BORROWERS			
	Construction				Land Loans				
	Total	1-4 Units	5[b] Units	Non-Res.		Total	1-4 Units	5[b] Units	Non-res.
1981									
NOV	190	70	40	80	40	6,120	750	1,770	3,600
DEC	180	70	40	70	70	7,480	770	2,910	3,800
1982									
JAN	130	30	30	70	30	8,070	650	3,630	3,800
FEB	170	50	40	80	60	7,530	540	3,340	3,650
MAR	130	70	10	50	40	6,420	630	2,000	3,790
APR	360	70	80	210	60	7,820	560	2,330	4,930
MAY	130	50	30	50	40	8,150	660	3,230	4,620
JUN	180	60	40	80	70	7,660	590	2,250	4,820
JUL	160	50	30	80	40	8,900	580	2,250	6,070
AUG	150	60	20	70	50	4,420	690	1,570	2,160
SEP	170	70	30	70	30	6,180	980	2,730	2,470
OCT	170	90	30	50	30	5,540	480	2,340	2,720
NOV	180	110	20	50	20	5,370	590	2,170	2,610
DEC	230	100	40	90	50	5,680	880	1,940	2,860
1983									
JAN	150	80	30	40	60	7,160	800	3,720	2,640
FEB	220	90	40	90	50	9,470	980	4,450	4,040
MAR	230	110	20	100	40	14,050	1,570	9,320	3,160
APR	200	80	10	100	50	na	1,150	na	2,520
MAY	430	220	50	160	200	6,440	890	3,820	1,730
JUN	600p	220p	90p	290p	160p	18,470p	950p	15,420p	2,100

n.a.—Not available; p—Preliminary

[1]From the National Association of Realtors' "Existing Home Sales" series.

[2]Reflects cumulative total through the latest month for each column.

[3]Secondary market gross yields.

[4]Federal Home Loan Mortgage Corp. Existing construction only.

[5]Federal Reserve's weighted average interest rate for Commercial Banks.

[6]Weighted average gross yields for accepted bids.

[7]Survey of three New York security dealers. Securities for immediate delivery.

[8]Mutual Savings Banks and Commercial Banks.

Sources: American Council of Life Insurance, Board of Governors of the Federal Reserve System, Bureau of the Census, Citicorp Real Estate Inc., Department of Housing and Urban Development, Federal Home Loan Bank Board, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Government National Mortgage Association, Mortgage Bankers Association of America, National Association of Mutual Savings Banks, National Association of Realtors, Veterans Administration.

MORTGAGE BANKING ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED[1]

Year and Month	SEASONALLY ADJUSTED				NOT SEASONALLY ADJUSTED							
					1-4 Units				5[3] Units			
	Total[2]	1-4 Units	5[3] Units	Non-Res.	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-[3] Res.
1981													
SEP	2,250	1,900	30	380	2,610	2,180	530	420	1,230	50	40	10	380
OCT	2,110	1,550	270	420	2,440	1,870	480	350	1,040	170	0	170	400
NOV	1,890	1,520	40	330	1,820	1,430	400	290	740	40	10	30	350
DEC	2,290	1,660	170	280	2,530	1,800	600	390	810	190	0	190	540
1982													
JAN	2,030	1,560	90	520	1,830	1,390	410	340	640	100	60	40	340
FEB	2,140	1,760	120	290	1,820	1,380	470	280	630	120	90	30	320
MAR	3,180	2,420	90	600	2,790	2,110	600	340	1,170	80	60	20	600
APR	2,900	2,420	50	400	2,570	2,100	570	350	1,180	50	30	20	420
MAY	3,080	2,450	190	470	2,740	2,240	670	410	1,160	110	70	40	390
JUN	3,440	2,850	180	390	3,420	2,920	850	550	1,520	180	170	10	320
JUL	2,940	2,330	70	390	3,020	2,630	780	510	1,340	70	70	0	320
AUG	2,710	2,500	40	440	3,250	2,960	920	580	1,360	40	20	20	350
SEP	2,620	2,460	20	200	3,050	2,820	890	680	1,250	30	20	10	200
OCT	3,080	2,480	340	370	3,560	3,000	1,060	740	1,200	210	120	90	350
NOV	4,460	3,930	220	380	4,290	3,670	1,540	950	1,180	220	200	20	400
DEC	5,850	5,390	50	280	6,470	5,860	2,210	1,540	2,110	60	0	60	540
1983													
JAN	6,400	5,840	250	410	5,760	5,210	2,450	1,450	1,310	280	40	240	270
FEB	6,960	6,820	90	490	5,930	5,380	2,260	1,430	1,690	70	0	70	480
MAR	8,590	7,160	70	930	8,030	6,670	2,730	1,990	1,950	70	50	20	1,290
APR	8,490	7,640	340	520	7,520	6,630	2,540	1,640	2,450	340	0	340	550
MAY	8,720	7,500	220	930	7,760	6,860	2,910	1,800	2,150	130	20	110	770
JUNp	9,220	7,640	980	440	9,170	7,830	2,820	1,840	3,170	na	na	120	360

COMMITMENT ACTIVITY: LONG-TERM MORTGAGE LOANS

Year and Month	COMMITMENTS DURING MONTH								OUTSTANDING COMMITMENTS END OF MONTH					
	To Borrowers				From Investors				To Borrowers			From Investors		
	Total	1-4 Units	5[3] Units	Non-Res.	Total	1-4 Units	5[3] Units	Non-Res.	1-4 Units	5[3] Units	Non-Res.	1-4 Units	5[3] Units	Non-Res.
1981														
SEP	1,820	1,610	90	120	2,330	1,530	120	680	5,260	470	810	5,690	870	1,520
OCT	2,340	1,770	170	400	2,560	1,850	200	510	5,190	280	840	5,280	510	1,130
NOV	1,920	1,320	180	420	4,250	1,490	190	2,570	3,720	390	640	4,170	610	1,150
DEC	3,150	2,370	170	610	2,470	2,020	160	290	5,890	950	600	4,780	1,240	710
1982														
JAN	2,940	2,290	240	410	3,290	2,430	140	720	6,370	1,000	690	5,380	1,260	880
FEB	3,080	2,210	90	780	3,620	2,470	60	1,090	6,220	810	710	4,550	1,130	930
MAR	4,130	3,010	120	1,000	2,850	2,560	140	150	7,730	480	700	5,610	710	930
APR	4,650	2,250	350	2,050	5,760	3,090	390	2,280	7,350	550	1,190	6,520	650	1,170
MAY	4,180	2,560	340	1,280	4,270	2,630	380	1,260	7,970	640	780	6,730	1,180	890
JUN	3,220	2,640	180	400	3,450	2,670	120	660	7,930	550	760	7,240	880	900
JUL	3,410	2,550	80	780	4,890	3,700	120	1,070	7,950	590	1,070	7,830	840	1,240
AUG	3,750	3,140	240	370	4,800	4,260	180	360	9,010	740	660	7,800	990	720
SEP	5,290	4,900	90	300	6,050	5,380	140	530	9,920	940	490	9,830	1,400	670
OCT	7,040	6,240	170	630	3,740	3,120	190	430	13,030	130	450	9,590	620	590
NOV	8,060	6,270	370	1,420	6,910	4,830	640	1,440	15,380	600	560	12,360	1,140	750
DEC	7,780	6,590	120	1,070	6,870	5,260	120	1,490	18,890	680	670	11,880	940	810
1983														
JAN	6,660	5,680	120	860	7,640	6,310	110	1,220	18,910	520	730	13,260	1,060	910
FEB	6,950	6,180	240	530	8,850	6,970	52	1,360	21,340	1,830	890	12,240	1,880	1,080
MAR	8,410	7,100	1,010	300	11,420	9,180	1,220	1,020	23,490	2,550	460	13,980	3,080	830
APR	na	6,300	na	1,270	na	10,010	na	1,620	20,220	na	860	16,710	na	1,050
MAY	7,680	7,070	0	610	9,230	8,320	100	810	20,430	500	630	16,210	1,280	810
JUNp	7,040	6,930	0	110	10,840	10,370	120	350	23,120	na	510	17,210	na	520

Notes: [1]All dollar amounts are in millions.

[2]Total is seasonally adjusted separately from components. Total, therefore, may not equal sum of parts.

[3]Series labeled non-residential are also inclusive of farm data.

[4]Percent coverage equals outstanding commitments received from investors divided by the sum of outstanding end of month inventory and outstanding commitments issued to borrowers, all multiplied by 100.

Year and Month	OUTSTANDING END OF MONTH INVENTORY									COVERAGE[2]			SERVICING VOLUME		
		1-4 Units				5[3] Units									
	Total	Total	FHA	VA	Conv.	Total	FHA	Conv.	Non-Res.	1-4 Units	5[3] Units	Non-Res.	1-4 Units	5[3] Units	Non-Res.
1981															
SEP	3,990	2,660	640	470	1,550	460	40	420	870	72	94	90	195,370	19,140	39,590
OCT	4,330	2,640	580	400	1,660	570	60	510	1,120	67	60	58	214,730	20,730	46,680
NOV	3,580	2,220	480	340	1,400	570	60	510	790	70	64	80	188,070	19,880	37,990
DEC	4,330	2,280	470	320	1,490	1,230	160	1,070	820	59	57	50	212,560	22,750	39,210
1982															
JAN	4,510	2,340	490	340	1,510	1,240	170	1,070	930	62	56	54	222,860	23,790	44,400
FEB	4,100	2,140	440	320	1,380	1,120	200	920	840	54	59	50	223,400	22,860	44,140
MAR	4,160	2,470	520	320	1,630	710	100	610	980	55	60	55	235,950	26,690	43,830
APR	4,670	2,380	510	350	1,520	910	110	800	1,380	67	45	46	233,690	24,910	46,580
MAY	4,560	2,470	530	370	1,570	1,210	110	1,100	880	64	64	54	239,060	26,040	45,020
JUN	3,360	2,400	630	410	1,360	530	130	400	430	70	81	76	244,630	25,090	44,340
JUL	5,150	2,690	640	490	1,560	1,220	140	1,080	1,240	74	46	54	235,360	22,700	43,030
AUG	5,000	2,910	710	450	1,750	1,240	140	1,100	850	65	50	48	258,320	25,020	44,360
SEP	6,140	3,000	740	490	1,770	2,380	140	2,240	760	76	42	50	258,260	25,560	44,620
OCT	6,160	3,170	750	640	1,780	2,020	140	1,880	970	59	29	42	269,470	26,150	46,350
NOV	6,650	3,620	1,000	740	1,880	2,120	290	1,830	910	65	42	51	280,360	26,490	47,050
DEC	6,320	4,400	1,370	960	2,070	1,130	160	970	790	52	52	55	292,440	26,300	49,670
1983															
JAN	8,260	4,830	1,680	1,150	2,000	2,590	330	2,260	840	56	34	58	298,680	30,890	47,110
FEB	9,070	5,260	1,700	1,160	2,400	2,620	340	2,280	1,190	46	42	52	234,470	42,570	48,710
MAR	11,390	6,290	2,040	1,480	2,770	4,070	360	3,710	1,030	47	47	56	280,270	39,210	50,680
APR	8,860	5,270	1,730	1,290	2,250	2,860	150	2,710	730	66	51	66	289,290	41,620	47,300
MAY	8,620	5,490	2,040	1,320	2,130	2,540	0	2,540	590	63	42	66	313,560	52,280	46,790
JUNp	9,090	5,660	1,940	1,270	2,450	2,810	250p	2,560	620	60	93p	46	307,000	49,400	42,150

CONSTRUCTION AND LAND LOAN ACTIVITY

Year and Month	DISBURSEMENTS DURING MONTH					CONSTRUCTION LOANS CLOSED				END OF MONTH INVENTORY				
	Total	1-4 Units	5[3] Units	Non-Res.	Land Loans	Total	1-4 Units	5[3] Units	Non-Res.	Total	1-4 Units	5[3] Units	Non-Res.	Land Loans
1981														
SEP	180	80	40	60	50	420	100	170	150	3,250	1,130	910	1,210	810
OCT	280	70	40	170	40	820	310	150	360	4,020	1,150	980	1,890	900
NOV	190	70	40	80	40	380	110	50	220	3,960	1,000	1,030	1,930	870
DEC	180	70	40	70	70	990	590	130	270	4,240	1,020	1,120	2,100	900
1982														
JAN	130	30	30	70	30	520	50	160	310	3,400	810	800	1,790	910
FEB	170	50	40	80	60	380	70	70	240	3,550	830	890	1,830	950
MAR	130	70	10	50	40	530	100	70	360	3,250	800	800	1,650	910
APR	360	70	80	210	60	550	90	180	280	3,810	820	960	2,030	1,010
MAY	130	50	30	50	40	690	80	200	410	3,740	780	960	2,000	970
JUN	180	60	40	80	70	810	80	380	350	4,290	840	1,090	2,360	1,020
JUL	160	50	30	80	40	510	60	320	130	4,210	840	960	2,410	970
AUG	150	60	20	70	50	620	100	250	270	3,480	900	920	1,660	1,000
SEP	170	70	30	70	30	370	90	160	120	3,840	960	950	1,930	1,000
OCT	170	90	30	50	30	200	90	90	20	4,620	1,150	1,180	2,290	920
NOV	180	110	20	50	20	440	120	270	50	3,880	1,110	890	1,880	950
DEC	230	100	40	90	50	500	130	110	260	4,050	1,180	900	1,970	1,030
1983														
JAN	150	80	30	40	60	300	140	30	130	3,510	990	830	1,690	920
FEB	220	90	40	90	50	320	120	80	120	4,410	1,240	860	2,310	1,000
MAR	230	110	20	100	40	500	190	200	110	3,940	1,260	610	2,070	890
APR	200	80	10	100	50	320	160	70	90	2,830	850	450	1,530	1,060
MAY	430	220	50	160	200	490	150	90	250	9,700	2,880	1,290	5,530	3,820
JUNp	600	220	90	290	160	510	160	80	270	10,030	2,720	1,470	5,840	3,780

Year and Month	COMMITMENTS TO BORROWERS: LAND AND CONSTRUCTION LOANS								NOTES PAYABLE			
	Issued During Month				End of Month Balances				End of Month Balances			
	Total	1-4 Units	5[3] Units	Non-Res.	Total	1-4 Units	5[3] Units	Non-Res.	Total	Comm. Paper	To Parent	To Others
1981												
SEP	970	80	290	600	3,670	920	1,210	1,540	10,770	2,460	4,380	3,930
OCT	1,200	130	160	910	7,030	920	1,330	4,780	11,510	2,320	5,260	3,930
NOV	1,050	120	520	410	6,120	750	1,770	3,600	10,870	1,680	5,270	3,920
DEC	1,920	140	1,310	470	7,480	770	2,910	3,800	10,960	1,160	5,710	4,090
1982												
JAN	2,050	180	1,400	470	8,070	650	3,620	3,800	11,070	1,130	5,770	4,170
FEB	690	70	190	430	7,530	540	3,340	3,650	11,230	1,180	5,360	4,690
MAR	920	190	170	560	6,420	630	2,000	3,790	11,930	1,250	6,610	4,070
APR	2,730	110	1,090	1,530	7,820	560	2,330	4,930	12,610	1,000	5,540	6,070
MAY	1,280	140	670	470	8,150	660	3,230	4,260	11,570	1,130	5,070	5,370
JUN	950	130	300	520	7,660	590	2,250	4,820	13,810	1,230	5,680	6,900
JUL	950	70	330	550	8,900	580	2,250	6,070	11,350	1,820	5,000	4,530
AUG	760	110	350	300	4,420	690	1,570	2,160	12,900	1,630	5,110	6,160
SEP	670	100	420	140	6,180	980	2,730	2,470	12,250	1,950	5,760	4,540
OCT	1,860	110	1,600	150	5,540	480	2,340	2,720	20,460	1,380	7,370	11,710
NOV	720	160	320	230	5,370	590	2,170	2,610	14,650	1,640	6,010	7,000
DEC	950	180	360	410	5,680	880	1,940	2,860	16,630	2,540	7,490	6,600
1983												
JAN	1,750	140	1,410	200	7,160	800	3,720	2,640	22,080	3,900	9,950	8,230
FEB	1,140	180	420	540	9,470	980	4,450	4,040	18,760	3,630	7,220	7,910
MAR	4,650	440	3,820	390	14,050	1,570	9,320	3,160	19,860	5,280	7,340	7,240
APR	3,840	180	2,950	710	na	1,150	na	2,520	17,760	3,390	8,200	6,170
MAY	1,080	180	610	290	6,440	890	3,820	1,730	26,300	4,720	8,740	12,840
JUNp	1,530	200	630	700	na	950	na	2,100	26,200	4,630	6,180	13,390